

STATE OF NEW HAMPSHIRE



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 1988

The Old Man in the Mountain, rising high above New Hampshire's White Mountains, has come to symbolize the very essence of New Hampshire's commitment to preserving its proud heritage while enhancing and enriching its future.

Acting carefully and decisively, with a clear vision of tomorrow, New Hampshire has made major investments in its infrastructure to ensure the preservation of its unique and precious quality of life. Like The Old Man in the Mountain, carefully strengthened for the coming years, New Hampshire's solid foundation will allow its vision for tomorrow to become reality.



**STATE OF NEW HAMPSHIRE
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 1988**

**Prepared by the Department of
Administrative Services**

**Stephen M. Kennedy
Commissioner**



*Commissioner of Administrative Services Stephen M. Kennedy (l)
and Governor John H. Sununu (r)*



JOHN H. SUNUNU
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

STATE HOUSE · CONCORD, NEW HAMPSHIRE 03301-4990

To:

The Honorable Members of the Legislature and
to the Citizens of the State of New Hampshire

I am pleased to accept this comprehensive annual financial report for the State of New Hampshire covering operations for the fiscal year ended June 30, 1988. Included in this report are the state's independently audited General Purpose Financial Statements, prepared in accordance with Generally Accepted Accounting Principles (GAAP). This report is presented to you and to the financial community to enable you to more clearly comprehend New Hampshire's financial status.

New Hampshire's economy continues to expand and to prosper in the 1980's. Strong, resourceful leadership and innovative, astute planning have once again combined to maintain the state's preeminent stature in the nation. For the third consecutive year, New Hampshire has had the country's lowest unemployment level, reflecting the continued surge of job development from both new and existing businesses. The state's on-going economic vitality has not been limited to a select few, as personal income has increased by 10 percent. Additionally, per capita income has seen the largest increase in New England while maintaining eighth place in the nation.

The state is home to a fully accredited mental health care system, ranked third in the United States for both in-patient and out-patient care, and a fully accredited and newly modernized prison system. The commitment to excellence in education has remained a top priority in the state, where once again New Hampshire students have led the country in SAT scores.

These are statistics in which we can all take pride, statistics representing investments in our future which not only strengthen our current infrastructure of services but which will also ensure the same quality of services and capacity for growth for generations to come. Yet the larger picture is even brighter, for these investments, this progress, have been achieved without the sacrifice of our natural heritage, our traditions, and the quality of life we have all come to cherish.

The future of today holds much promise. This report reflects our progress to date. We, as citizens of New Hampshire, reflect the commitment to tomorrow which will lead us forward.

Sincerely,

A handwritten signature in dark ink, appearing to read "John H. Sununu".

John H. Sununu
Governor

**STATE OF NEW HAMPSHIRE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1988
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*Through the special generosity
and concern of individual
citizens, over 10,000 acres of New
Hampshire's lands have been
preserved for future generations.*



Vast, vibrant stretches of woodlands, majestic mountain ranges, crystal clear lakes and rivers, rolling farms and wetlands—these are the priceless heritage of New Hampshire. The careful preservation of this heritage has become even more vital in recent years as the state's booming economy has led to increased development and expansion from border to border.

In 1987, the state began an ambitious and innovative program to preserve and protect its most valuable lands. A \$20 million public/private partnership was established between the state's Land Conservation Investment Program and citizen's Trust for New Hampshire Lands to acquire land and development rights to protect natural acres across New Hampshire, a partnership now known as the Land Trust.

Conceived as a \$50 million, five-year effort, the Land Trust has already had a significant impact in only its first year of funding. Two grant programs were devised, the first aimed at preserving lands of statewide significance, the second designed to provide matching funds to local towns to preserve locally significant properties.

Through the first program, over 55,000 acres of priceless land will have been protected by early 1989. The purchase of the largest parcel

NEW HAMPSHIRE LAND TRUST

of land acquired by the Trust, 45,000 acres of Diamond International woodlands in the state's North Country which had been slated for purchase and development by Rancourt Associates, dramatically illustrated the need for this program.

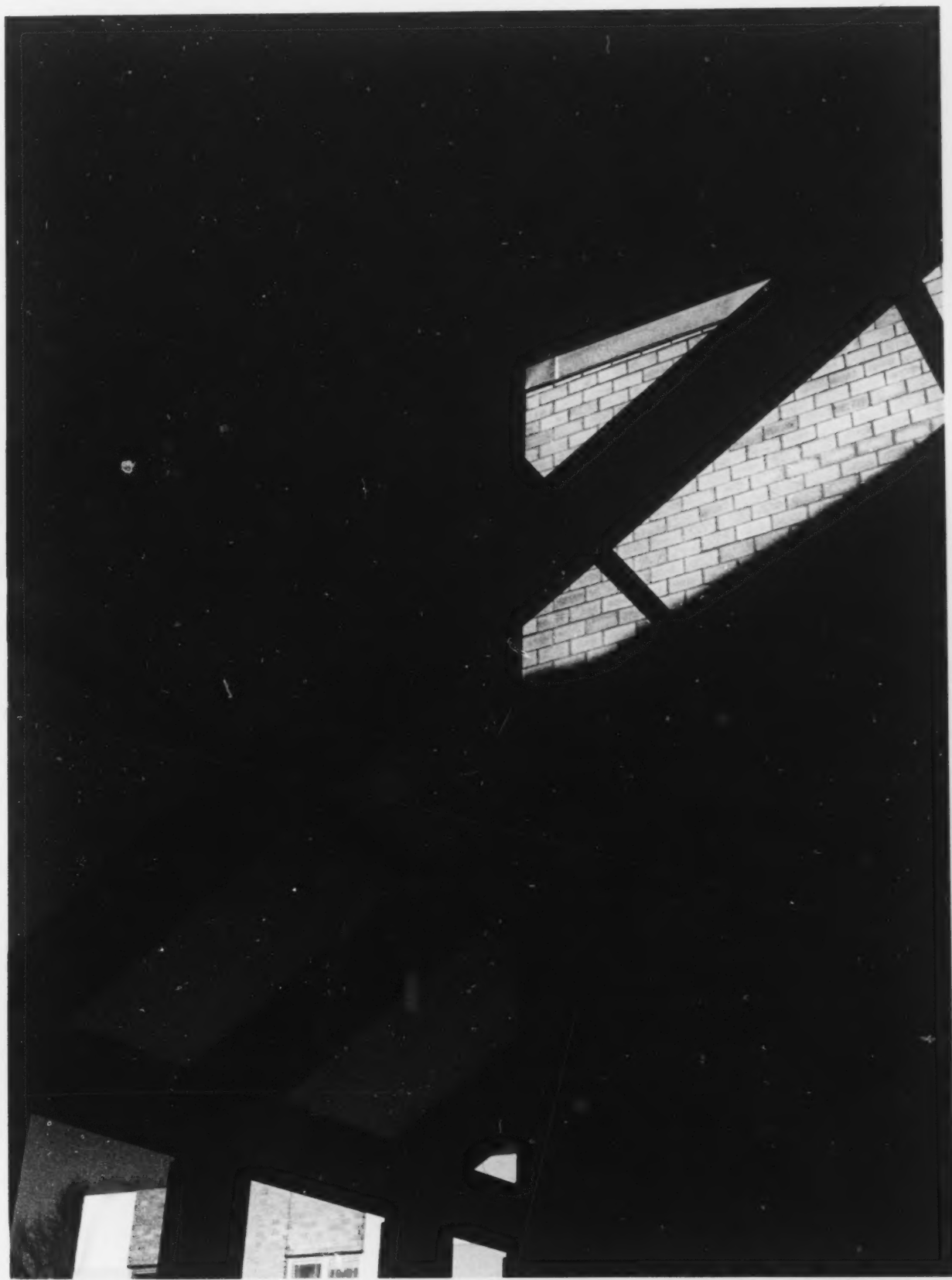
The other 10,000 acres of land acquired in this grant program's first year represent 25 projects – and the 25 special individuals and organizations willing to contribute to their state – which will protect prime agricultural lands, threatened wildlife habitats, boating access points, buffers and additions to existing public holdings, and hiking trail corridors.

Beyond the state's investments, the locally focused program has enabled fourteen communities to buy and preserve locally significant land.

The Land Trust exemplifies New Hampshire's commitment, both as a state and as individual citizens, to preserving the heritage of its natural resources and its high quality of life. Through this Trust, communities have drawn together to ensure that their dreams and their cherished places will be shared and enjoyed for generations to come.



Lands now protected through the Land Trust include prime agricultural lands, threatened wildlife habitats, boating and hiking areas, and fragile wetlands.



NEW HAMPSHIRE HOSPITAL PSYCHIATRIC FACILITY

The unusual architectural design of the psychiatric facility reflects three decades of progress in modern psychiatry, maintaining a critical connection between those within the facility and the outside world.

In 1984, a comprehensive plan for restructuring New Hampshire's mental health care system was completed. Implementation of that plan has resulted in an award-winning mental health care system for the state, a system which is ranked third in the nation for in-patient and out-patient care.

The cornerstone of this revitalized system is a new 144-bed psychiatric facility scheduled for completion in early 1989. This \$21 million facility, which will be located on the grounds of New Hampshire Hospital, is the largest public works building project ever undertaken by the State of New Hampshire.

The unusual architectural design of the facility reflects three decades of progress in modern psychiatry. The extensive expanses of glass, combined with a strong use of angles, maintain a critical connection between those within the facility and the outside world. The facility's entrance wing underscores this feeling of integration, interspersing visiting and eating areas as well as academic and patient activity areas.



A carefully crafted structure of service levels will ensure that each patient receives appropriate and effective care, while also helping family members and the larger community to better understand mental illness.

Primary treatment for mental illnesses has shifted in recent years from a reliance on institutionalization to emphasis on community-based care. The New Hampshire Hospital Psychiatric Facility treatment policies reflect this significant change. The facility will emphasize short-term acute hospital services rather than long-term residential services.

A carefully crafted structure of service levels will ensure that each patient receives appropriate and effective care, helping patients and their families to better understand and manage the affects of mental illnesses.

The facility will also provide expert care for individuals with exceptional needs, those for whom other services have proven ineffective or inappropriate.

This exceptional treatment facility, the center of the state's award-winning mental health care system, will also provide education, consultation and research for the state's mental health community, ensuring that its resources will be utilized and revitalized well into the future.

New Hampshire's multi-faceted approach to education ensures a strong, basic curriculum for all students while encouraging and supporting innovative journeys beyond the standard educational fare.



In a world which changes minute by minute, where the skills needed yesterday are less essential today and may be obsolete tomorrow, education is now more than ever the building block of the future. In New Hampshire, recognition of this fact has led to a comprehensive and multi-faceted program dedicated to ensuring the highest quality of education for our citizens.

In 1983, the Governor's Initiatives for Excellence in Education was put in place, with initial funding of \$5 million in three areas. The Gifted and Talented Education component has awarded over 225 local agents to assist teachers in planning and implementing innovative programs for their exceptional students. The component also funds teacher training institutes, staff development seminars, and curriculum development grants.

The Computers for Teachers component has funded three rounds of grants to train teachers to use computers as tools to enhance their ability to teach and to manage their responsibilities both to their students and to the school district. The Technology in the Classroom component has provided over 100 grants to explore and implement innovative ways to use today's rapidly advancing technology to enhance the classroom experience, touching on distance learning, videodisc technology, and telecommunications.

In 1987, the Governor's Initiatives Program was expanded to include a fourth component, Training for Administrators. The seven grants

DEPARTMENT OF EDUCATION

funded to date help train future principals, superintendents and school board members for their positions.

While encouraging these innovative journeys beyond the standard educational fare, the state has continued to ensure a strong, basic curriculum for all students. The Literacy and Dropout Prevention Act of 1988 emphasizes the importance of literacy skills for all New Hampshire students. A comprehensive program of early intervention and remediation will work to ensure that indeed "Johnny Can Read." The Act also addresses the pressing issue of dropouts, providing funding and assistance for programs designed to combat this problem.

Beyond the curriculum, other vital issues which drive the educational debate are also being addressed in New Hampshire, as attention is focused on the allocation of state financial resources available to local school districts, and on teacher certification, shortages, and salaries.

Taken together, this comprehensive approach to educational excellence and growth will ensure that students, teachers and administrators alike will be encouraged to reach their highest potential.



The Governor's Initiatives for Excellence in Education has allowed students, teachers and administrators alike to explore the many uses of computer technology in the classroom.

New educational and counseling areas help ensure that each inmate receives needed guidance and tutoring to overcome barriers to a more productive life after prison.



DEPARTMENT OF CORRECTIONS

The word "prison" in recent years has often conjured up visions of overcrowded, inadequate facilities, which have resulted in substandard inmate conditions and subsequent unrest and violence in prisons across the country. Today, many states are struggling to address extensive and immediate problems caused by years of underfunding and lack of attention to prison systems. New Hampshire does not face these problems, in large part because a comprehensive, long-term commitment has been made to address anticipated needs at the State Prison before those needs impact conditions at the facility.

In 1981, a nine-year rebuilding and renovation project was begun at the State Prison. To date, over \$30 million has been allocated to Maximum, Medium, and Minimum Security Units, improved perimeter security, and other prison facilities. An additional \$33.5 million has been appropriated, earmarked for renovation of existing dorms, staff areas, medical and education areas, kitchens, visiting areas, and the prison chapel. \$15 million of these funds will be allocated for the construction of additional housing, renovation of the Prison Annex, a new recreation field, further security improvements, and new furnishings and equipment.

The final \$1.3 million of the \$65.4 million project

will fund the renovation of the Grasmere Female Facility, ensuring that no segment of the prison system will be unable to meet the needs of the 1990's.

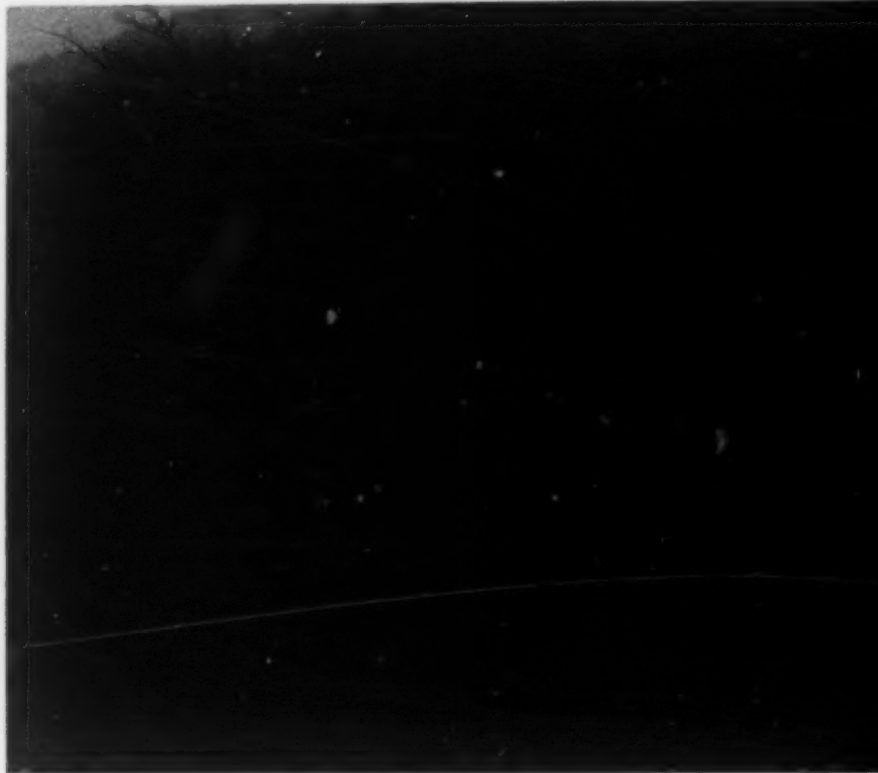
This investment in the state's prison system touches on every aspect and each step of prison life. A new intake facility will aid the Department of Corrections in processing and housing new arrivals. New educational and counseling areas will provide each inmate with needed guidance and tutoring to overcome the barriers to a more productive life after prison. Increased housing space will alleviate the threat of overcrowding, while renovated kitchen, dining, and medical facilities will help ensure maintenance of the health of the prison population.

This major investment in New Hampshire's prison system has been designed to address growing needs well into the next decade and beyond. Already, coordinated and systematic planning has been initiated to look even further into the future, anticipating and preparing a coordinated answer to the conditions of tomorrow.



New Hampshire's comprehensive, nine-year rebuilding and renovation project for its prison system has been designed to address growing needs well into the next decade and beyond.

From the Canadian border to Massachusetts, New Hampshire has made critical investments in its state roadways while preserving and enhancing the surrounding landscape.



Essential to the economic vitality of any state is a modern, expansive system of transportation which meets the needs of its travelers. From the Canadian border to Massachusetts, from Vermont to the Seacoast, New Hampshire has made critical investments in its 4,200 miles of state roadways in the past twelve months.

On June 2, 1988, one major investment begun six years earlier was realized with the official dedication of the Franconia Notch Parkway in New Hampshire's White Mountains. The \$60 million roadway, winding ten miles through the heart of this spectacular mountain range, provides a vital link between the often secluded North Country and the state's Southern Tier, vastly enhancing the region's potential for economic growth in coming years.

This astute investment in the future of the North Country—and in turn in the future of the entire Granite State—has addressed not only the need for an expanded system of transportation in the area but has also successfully answered the environmental integrity of the Parkway's surrounding area. Nearly \$3 million in landscaping combined with over \$8 million in park improvements have resulted in a parkway which has remembered the "park."

Commitment to New Hampshire's roadways did not end in Franconia Notch. An appropriation of nearly \$100 million for new construction has resulted in strong, continuous progress on the state's "Ten

DEPARTMENT OF TRANSPORTATION

Year Plan." A pivotal shift in financing for transportation projects from General Obligation Bonds to Revenue Bonds will have enormous benefit for New Hampshire in years to come and is indicative of the state's commitment to the future without sacrificing the present.

Beyond these facts and figures, the true symbol of the excellence of New Hampshire's transportation system lies in the people who are committed to it. From the planners, designers and construction workers who shape the roads to the nationally recognized toll and rest area personnel, awarded the 1988 Public Service Excellence Award for their outstanding quality of service to those travelling New Hampshire's roads, these individuals can take great pride in their contributions.



The Franconia Notch Parkway provides a vital link between the often secluded North Country and the state's Southern Tier, enhancing the region's potential for economic growth in coming years.



DIVISION OF AERONAUTICS

Some 260,000 passengers embarked from Manchester Municipal Airport in 1988, a figure expected to top 1.6 million people by the end of the next decade.

Manchester Municipal Airport, the largest of New Hampshire's four commercial passenger airports, lies on the outskirts of the state's largest city, providing northern New England with a convenient, attractive alternative to Boston's Logan Airport.

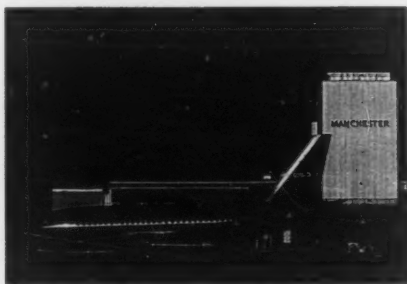
With the continued expansion of the state's economy, there has been a sharply increased demand in air travel. As a result, utilization of Manchester Municipal Airport has risen tremendously in recent years; some 260,000 passengers embarked from Manchester in 1988, up from under 59,000 in 1985, only three years earlier. Reflecting New Hampshire's unabating growth, current projections estimate that by 1997, this number will grow further to top 1.6 million people.

This increased demand has been accommodated by the facility without a decline in the level of services provided. Indeed, well over 90% of the Airport's scheduled flights have been completed with few or no delays.

To ensure that the facility will continue to meet the needs of its consumers in the years to come, a \$30 million expansion and renovation project at Manchester Municipal Airport is currently in the planning stages. Within the airport grounds, the project will include a new terminal building and ramp, carefully located to allow the most convenient access to the facility, as well as increased parking for the Airport.

The project has also taken decisive steps to address the impact of the airport expansion and the surrounding community. \$200,000 has been earmarked for a traffic flow and access study for the Manchester area.

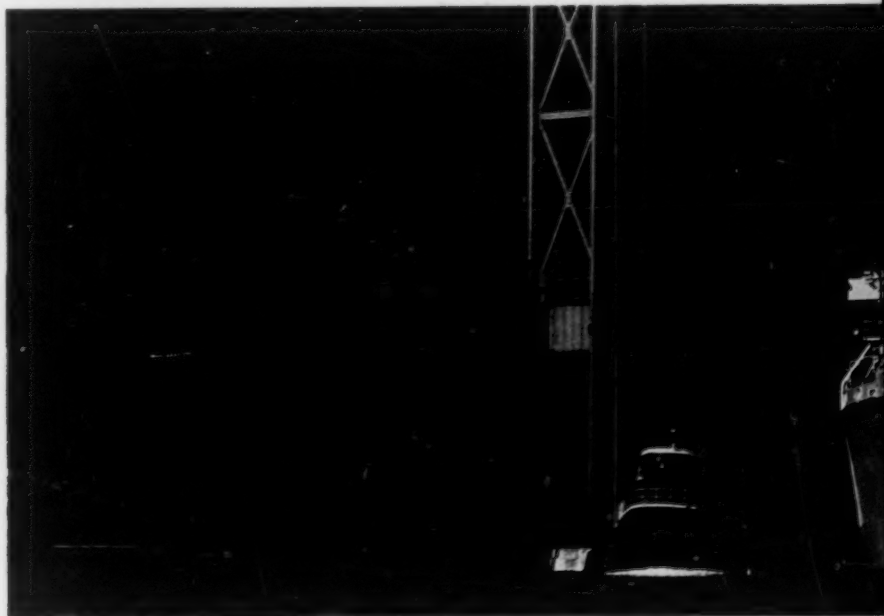
By carefully preparing now for future growth, this expansion project will allow Manchester Municipal Airport to continue to successfully integrate its tradition of quality air service with its concern for the Manchester community.



With a planned \$30 million expansion project, the airport will continue to provide travelers in northern New England with convenient, efficient access to our nation's airways.

PORT AUTHORITY

A \$12 million Port Authority expansion project has been designed to attract a larger share of the water-borne commerce market in the Northeast to Portsmouth in coming years.



The City of Portsmouth in New Hampshire's Seacoast Region is the site of an ambitious yet carefully conceived and coordinated Port Authority project designed to attract a larger share of the water-borne commerce market in the Northeast to the port city and to more fully utilize the port's existing resources.

The \$12 million project will expand the port's current facilities in two directions. A 10-acre containment area with an adjacent 900 feet of new pier will be constructed along the port's northern edge. A retail/office complex covering five acres, with parking facilities, a warehouse, and a 600-foot auxiliary pier, is slated for the port's southern end, bordering downtown Portsmouth.

The first phase of the port expansion will focus on the containment area facility, scheduled for completion in 1990-91. This facility will serve the increasing number of bulk, neo-bulk and containerized cargos which utilize the port due to the area's strengthened economy. As the new containment area is developed, the current cargo storage area will become available for more appropriate and economically sound development.

As the first phase of development proceeds, the second phase of the expansion will begin. Five acres of existing and newly filled land for the retail/office complex will be leased to a development firm for

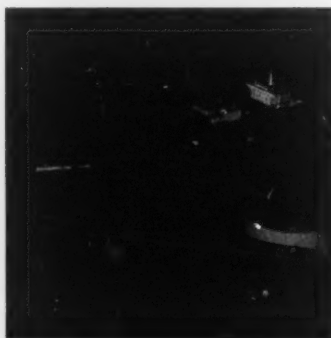


construction yielding over 170,000 square feet of gross building area. The complex is forecast to contain predominantly first-class office space, with some ground floor retail space in keeping with local market trends and conditions. Given the complex's location on the waterfront, the development is expected to attract numerous marine-related businesses.

This development project will be financially self-sustaining. The initial cost of the containment area facility will be financed through a bond issuance. The income generated through the lease and development of the retail/office complex will in turn cover the repayment of the bond debt, resulting in no negative cost to the state, the city or the taxpayer.

The anticipated positive impact of the port expansion for Portsmouth and the state's waterways is further enhanced by the meticulous care taken throughout the project's development to ensure careful integration with the surrounding area. The existing retail/residential mix of property on the port/city border will evolve to light business, followed by the light industrial site, with heavy industrial development located in the farthest section of the port. Additionally, a proposed 50,000 foot warehouse will serve as a further "buffer" between the retail and industrial portions of the development.

Ultimately, this investment in the port of Portsmouth will enhance economic growth across the state, providing a model of careful and financially sound development for others to follow.



A new containment area facility will serve the increasing number of bulk, neo-bulk and containerized cargos drawn to the port by the expansion project and New Hampshire's strong economy.

Utilizing new licensing procedures and wildlife information outreach programs, the Fish and Game Department is working to ensure that tomorrow's sportsmen enjoy the same wealth of resources so abundant today.

FISH AND GAME DEPARTMENT AND DRED

In 1984, the New Hampshire Fish and Game Department was ravaged by a devastating fire which destroyed its Concord headquarters. Seizing opportunity, the Department designed a new facility which would not only meet its administrative need but would reflect its evolving philosophical direction. In 1988, with the dedication of its new headquarters, the Department renewed its commitment to the future of New Hampshire.

As New Hampshire's economic and demographic characteristics have changed in recent decades, so too has its wildlife habitat. Recognizing this fact, the Fish and Game Department has expanded its role beyond the limits of wildlife resource management and restructured its resources to include educational and promotional efforts as well as expanded acquisition programs.

In concert with state-of-the-art exhibits housed in the new headquarters, the Department has initiated Project WILD and the "Let's Go Fishing" program to introduce the state's children to the importance of preserving and protecting our wildlife. New licensing procedures and wildlife information outreach programs carry this message on to the general public. These efforts effectively combine to ensure that tomorrow's sportsmen will enjoy the same wealth of resources so abundant today.

Major investments have also been directed towards the preservation and enhancement of New Hampshire's 29,000 acre network of state parks and recreational areas through the Department of Resources and Economic Development. A \$5.9 million capital budget funded major expansions at state ski areas, as well as extensive renovations throughout the park system and the construction of new facilities at both Franconia Notch State Park and Hampton Beach State Park. Additionally, a three-fold increase in the state park maintenance budget has begun to address years of deferred maintenance in all state parks.

Two major new studies have been commissioned and completed to lead New Hampshire's park system well into the next decade. The first identifies critical issues facing the park system today and proposes specific policies to address those issues; the second outlines a six-year development plan for the expansion of the park system and its services and facilities. These studies, together with the state's strong financial and philosophical commitment to ensuring the highest quality of life for its citizens and visitors, will ensure the continuation of progress for the Department.

Major investments in the state's 29,000 acre network of state parks and recreational areas have resulted in expanded and enhanced facilities and grounds across the state.





INTRODUCTORY SECTION

STATE OF NEW HAMPSHIRE
SELECTED STATE OFFICIALS

EXECUTIVE

GOVERNOR

John H. Sununu

EXECUTIVE COUNCIL

Raymond S. Burton

Peter J. Spaulding

Earl A. Rinker III

Ruth L. Griffin

Bernard A. Streeter, Jr.

ATTORNEY GENERAL

Stephen E. Merrill

COMMISSIONER OF ADMINISTRATIVE SERVICES

Stephen M. Kennedy

COMPTROLLER/DIRECTOR OF ACCOUNTING SERVICES

Lawrence G. Coty

JUDICIAL

CHIEF JUSTICE

SUPREME COURT OF NEW HAMPSHIRE

David A. Brock

LEGISLATIVE

PRESIDENT OF THE SENATE

William S. Bartlett, Jr.

(24 Senators)

SPEAKER OF THE HOUSE OF REPRESENTATIVES

W. Douglas Scamman, Jr.

(400 Representatives)

TREASURER

Georgie A. Thomas

SECRETARY OF STATE

William M. Gardner

FINANCIAL SUMMARY

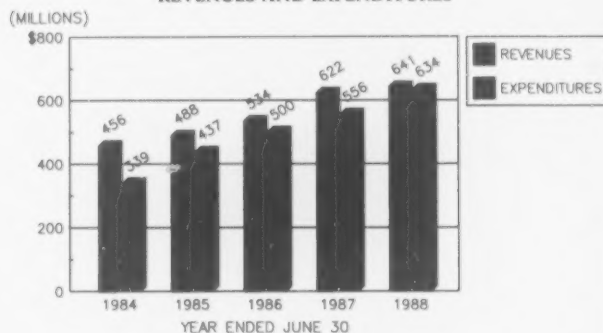
General Fund Undesignated Fund Balance for fiscal 1988 is \$13 million. This is net of \$27 million set aside in the Revenue Stabilization Account (designation of fund balance). This was established in fiscal 1987 in order to provide an adequate base for contingencies. The revenue stabilization account is designed to capture any undesignated fund balance at the end of the current biennium and each subsequent year up to 5% of the General Fund Unrestricted Revenues. This account can be tapped only when two conditions are met: 1) General Fund Unrestricted Revenues fall short of projections; and 2) the State is in a cumulative deficit position. The amount to be transferred is limited to the lesser of the revenue shortfall or the amount of the deficit.

The Revenue Stabilization Account is designed exclusively as a buffer against minor variations in revenue. Controls protect the fund from being used to escalate spending.

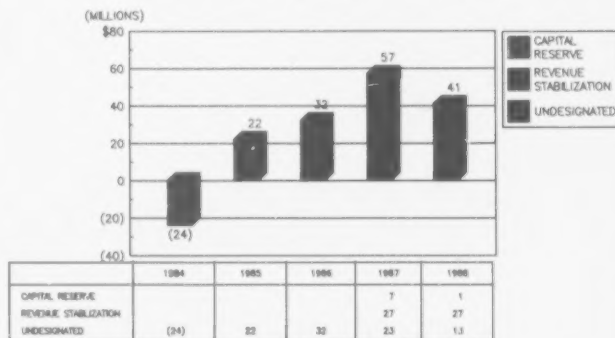
General Fund unrestricted revenue for fiscal year 1988 totaled \$542.9 Mil. vs. \$538.3 Mil. for fiscal year 1987. This represented less than a 1% increase over the previous year. The lack of growth in unrestricted revenue can be attributed to declines in Business Profits Tax due to the effect of the 1986 Tax Reform Act. The Real Estate Transfer Tax was also impacted by tax reform effects on capital gains. However, the decline in these two groups were offset by continued strong growth in many of the other revenue categories.

New Hampshire's diversified unrestricted revenue and steadier cash flows, along with revenue reserves, continues to have enhanced the financial stability of the State and absorb the effect of any adverse economic conditions.

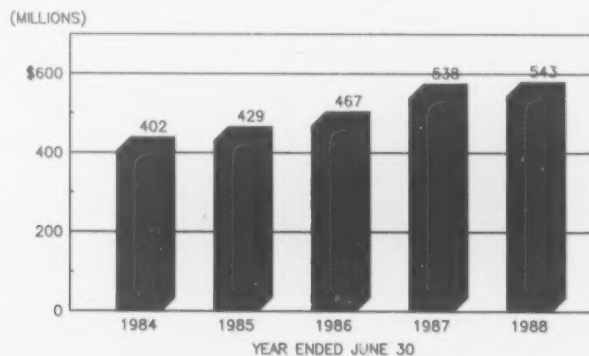
STATE OF NEW HAMPSHIRE
GENERAL FUND
REVENUES AND EXPENDITURES



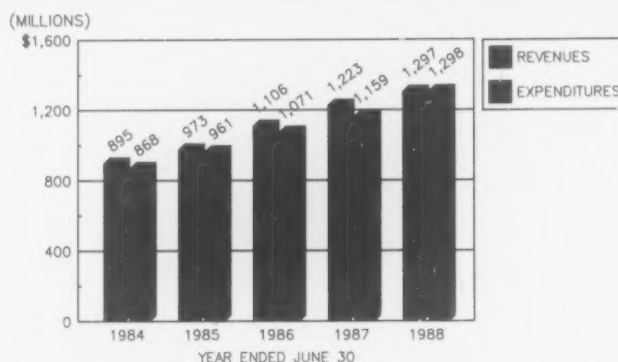
STATE OF NEW HAMPSHIRE
GENERAL FUND
UNDESIGNATED FUND BALANCE
AND SPECIAL DESIGNATED ACCOUNTS



STATE OF NEW HAMPSHIRE
GENERAL FUND
UNRESTRICTED REVENUE



FINANCIAL SUMMARY (Continued):

GRAPHIC FIVE-YEAR COMPARATIVE SUMMARY OF
REVENUES AND EXPENDITURES
ALL FUNDS

Revenue Source	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988
Governmental and Expendable Trusts:					
Taxes	\$ 403	\$ 429	\$ 494	\$ 556	\$ 562
Fees and Fines	28	37	45	50	60
Federal Grants	257	295	299	293	308
Grants from Private and Local Sources	29	26	28	38	45
Sale of Services and Commodities	31	34	38	39	44
Assessments	23	26	30	10	10
Agency Grants	23	27	42	47	45
Miscellaneous	29	28	37	45	51
Total	823	902	1,013	1,078	1,125

Public Services Enterprises**and Non-Expendable Trusts:**

*Turnpike System	-	-	-	25	31
Liquor Commission					
(Net of Cost of Goods Sold)	54	55	58	61	62
Sweepstakes Commission	17	15	34	58	77
Non-Expendable Trusts	1	1	1	1	2
Total	72	71	93	145	172
Total Revenues	\$ 895	\$ 973	\$ 1,106	\$ 1,223	\$ 1,297

*Part of Governmental (Assessments)

1984-1986

Expenditures by Function	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988
Governmental and Expendable Trusts:					
General Government	\$ 118	\$ 130	\$ 133	\$ 139	\$147
Administration of Justice and Public Protection	70	98	115	103	116
Resources Protection and Development	41	42	44	48	60
Transportation	109	120	125	129	136
Health and Social Services	272	288	332	385	423
Education	119	119	138	150	193
Debt Service	51	52	57	49	47
Capital Outlays	63	86	88	83	88
Total	843	935	1,032	1,086	1,210

Public Service Enterprises**and Non-Expendable Trusts:**

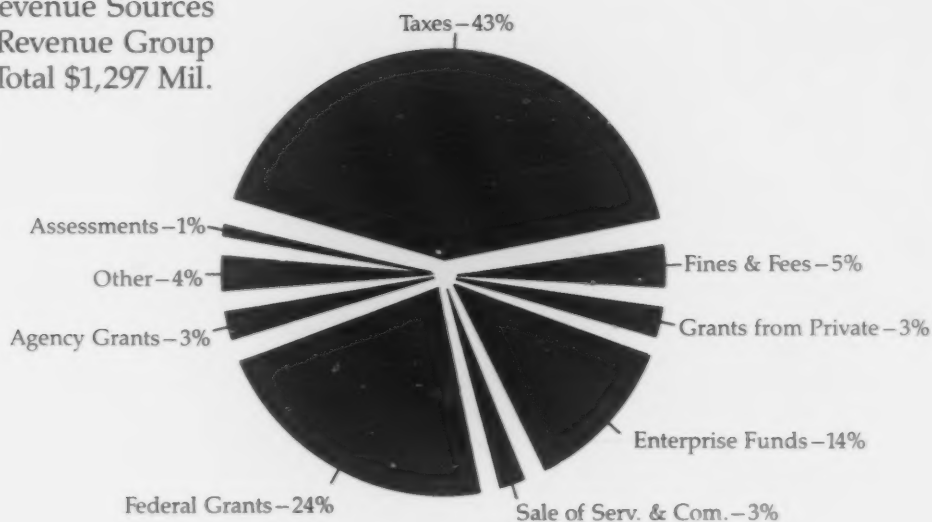
*Turnpike System	-	-	-	19	21
Liquor Commission					
(Excluding Cost of Goods Sold)	14	14	15	15	17
Sweepstakes Commission	11	11	23	38	49
Non-Expendable Trusts	-	1	1	1	1
Total	25	26	39	73	88
Total Expenditures	\$ 868	\$ 961	\$ 1,071	\$ 1,159	\$ 1,298

*Part of Governmental (Transportation)

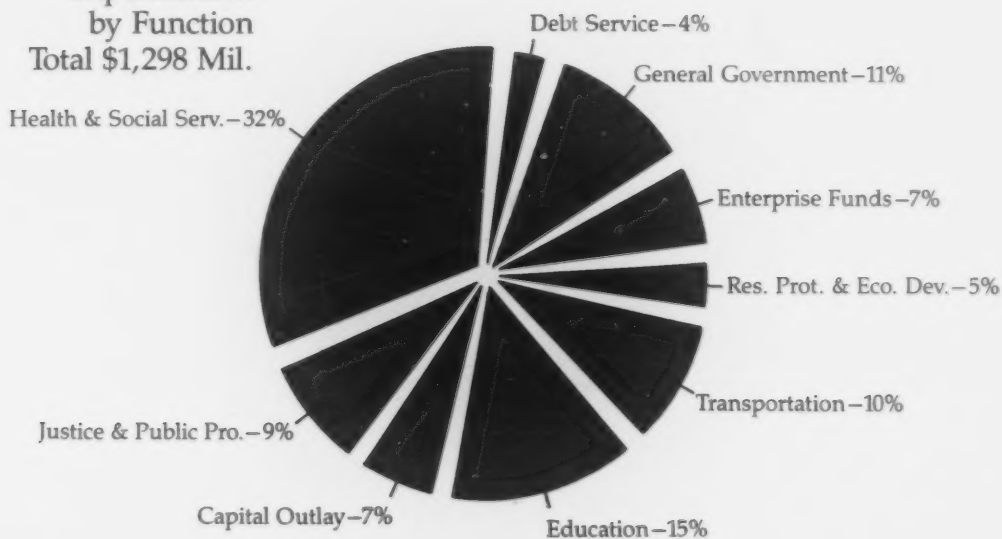
1984-1986

STATE OF NEW HAMPSHIRE
GRAPHIC SUMMARY OF REVENUE SOURCES
AND EXPENDITURES
FOR THE PERIOD ENDED 1988

Revenue Sources
by Revenue Group
Total \$1,297 Mil.



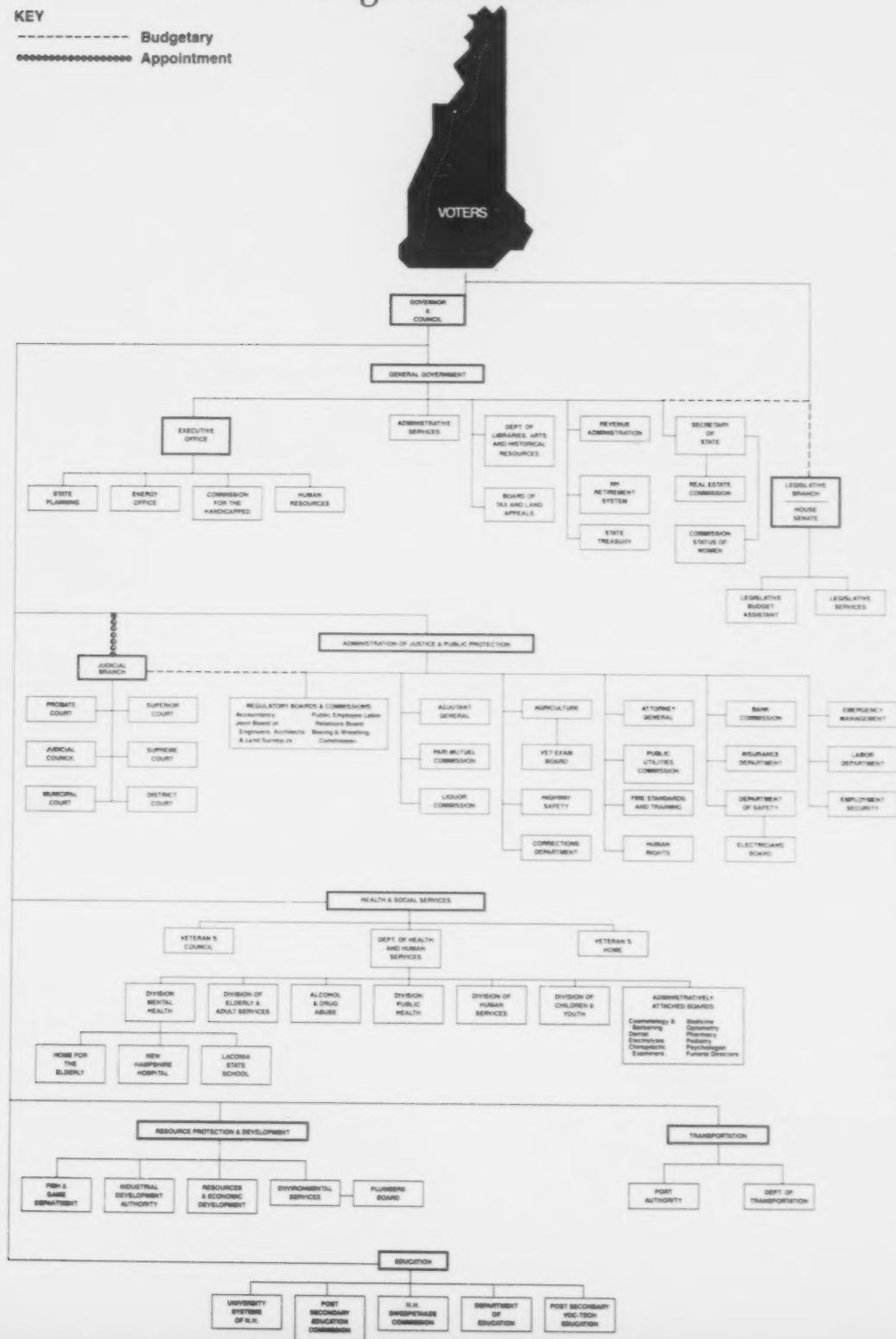
Expenditures
by Function
Total \$1,298 Mil.



STATE OF NEW HAMPSHIRE Organization Chart

KEY

----- Budgetary
 Appointment



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State of New Hampshire
Department of Administrative Services



STEPHEN M. KENNEDY
COMMISSIONER

STATE HOUSE ANNEX
CONCORD, NEW HAMPSHIRE 03301

TELEPHONE
603-271-3201

LETTER OF TRANSMITTAL

December 15, 1988

To: His Excellency The Governor
and The Honorable Council

INTRODUCTION

In accordance with statutory requirements Chapter 21-I:81, I herewith submit the Fifty-Seventh Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 1988. This report has been prepared by the State's Department of Administrative Services. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. The general purpose financial statements are based on generally accepted accounting principles (GAAP) considered by management to present fairly and consistently the State's financial position and results of operations.

The State's CAFR is reported in three major sections in accordance with the Governmental Accounting Standards Board (GASB). They are the introductory, financial and statistical sections. The introductory section includes summary financial data and comments on matters of interest to the reader; the financial section includes the general purpose financial statements and notes thereto, as well as combining financial statements. The statistical section contains unaudited statistical trend information, demographic and economic data.

The notes to the financial statements are considered an integral and essential part of adequate disclosure and fair presentation of the general purpose financial statements. The notes include the summary of significant accounting policies applied to the matters relating to the financial position and results of operations of the State. The notes provide significant insight into the financial statements and are necessary to understand the financial statements.

The CAFR presents information on the financial position and operations of the State as one reporting entity. The various agencies, departments, boards, commissions and funds which comprise the State reporting entity are included in this CAFR in accordance with criteria established by the GASB. The criteria, as covered in the general comments section of the notes to financial statements, includes governmental activities and programs where the governing authority, management and accountability significantly influences the various operations as defined by the legal statutes of the State of New Hampshire and GAAP.

ECONOMIC CONDITION AND OUTLOOK

The New Hampshire economy is expected to remain strong through fiscal 1989. New Hampshire recorded the lowest unemployment rate in the nation of 2.5% for fiscal 1988. The State's per capita income ranking, which had previously improved from 25th to 8th, has been maintained through fiscal 1988, thereby reflecting a stable economy. Economic conditions in New Hampshire reflect continued growth but at a much slower rate than the previous year. Per capita personal income continued to grow during 1988. The most recent available personal income growth figures for New Hampshire show that the period between 1986 and 1987 was at 10 percent. This is the largest growth rate in New England and three percentage points higher than the total personal income growth in the United States. This growth rate is expected to be sustained for 1988 and 1989.

The tourist industry, a major contributor to the State's economy, continues to be strong, as reflected by increases in related unrestricted revenues, such as the Meals and Rooms Tax and Gasoline Road Toll revenues. The New Hampshire nonagricultural wage and salary employment increased to 530,400 up 6,000 from a prior level of 524,400. These amounts are computed using the sampling results from New Hampshire employers each month. Manufacturing employment figures showed an increase of 3,300 jobs over the prior fiscal year.

The civilian labor force in New Hampshire is expected to reach 596,900 in the following fiscal year. This is an increase of five percent over previous projections. More job opportunities continue to become available for the female worker, as the need for increased financial help and the cost of living rises. Many females seek employment in order to maintain their standard of living or to affect a better life for themselves and their families. Other factors for the increase in female participation rates are more employer flexibility for hours and benefits, including a mother's shift, more shifts to accommodate the shopping hours and the increase in the level of educational attainment allowing women to become more qualified for a greater variety of work.

If we experience a national economic slowdown in 1988-1989, New Hampshire is well positioned because it is expected that this slowdown will not be an employment recession. While manufacturing employment would fall, nonmanufacturing employment will continue to absorb the slack, because this sector is much larger and stronger than it was at the beginning of the decade. This is a significant difference from the previous 1982 recession. Revenue from earnings would continue to flow during this period and set the stage for a recovery period in early 1990.

MAJOR INITIATIVES

Responses to government services have been addressed in two major areas during fiscal 1988. The Hospital expansion of a new 144 bed facility should move New Hampshire to a top rank from its third position in the nation. This mental health hospital facility will continue to enjoy the reputation and the care of the current institution which is fully certified and accredited. The new facility is expected to be completed in January of 1989.

The State's investment in the newest prison facility in the country provides state-of-the-art in security for its population. This fully certified and accredited institution's imaginative staff addresses the dynamics of rehabilitation to make this institution one of the best.

Careful utilization of surpluses and institutionalization of programs assure consistent management of the State's infrastructure. Future initiatives like Turnpike expansion, expansion of the Port Authority, Manchester Airport, and the ten-year highway plan will keep the State in balance and somewhat ahead of its growth. Funding and planning is well underway in these areas to insure the utilization of the State's ability to keep pace with the growth explosion in the Northeast and its ability to be independent.

As we look forward to the 1990s the State's participation in several pilot projects will surely be highlighted by national attention. The child enforcement project currently underway will put the State of New Hampshire in the forefront of its control of the financial responsibility collection program. This seven million dollar grant has been designated as a pilot project to build a transferable system that other states can use to improve their collection process. Additional pilot projects supporting our four season tourist industry will apply the use of state-of-the-art technology such as interactive video to help the travelling public access tourist activity throughout the State. The success of EZ-Ski, using automatic teller machines to dispense lift tickets, has been an outstanding success. We look forward to continued progress in serving the travelling public.

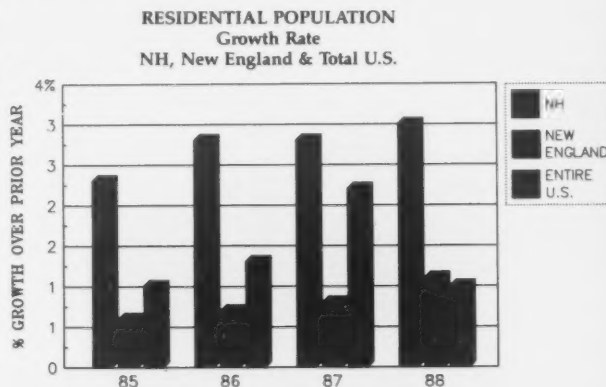
The replacement of the Fish and Game Headquarters demonstrates the flexibility of the State in dealing with the catastrophic fire that destroyed the old headquarters. This new facility turns the page on the management of natural resources and is a showplace for sportsmen to acquire information and training regarding wildlife conservation.

Future projects currently beyond the planning stage are the establishment of canteen services in the major rest areas throughout the State. A pilot project is currently under construction and will serve more than a million travellers in the coming year. The revenue generated by this project and the network of canteen operations will flow directly to the General Fund. Continued enhancements to the Integrated Financial System, the new payroll and personnel system, will continue to address the modernization and institutionalization of the financial transactions.

FINANCIAL INFORMATION

Information in this report includes financial transactions in the New Hampshire Integrated Financial System (NHIFS) presented on a GAAP basis and comparisons made on an accounting basis prescribed by law or budgetary purposes.

The State's centralized accounting system and agency accounting records are maintained on a modified accrual basis, and converted to GAAP basis at year end.



Major fiscal responsibilities within the State of New Hampshire are segregated among the following appointed officials:

Department of Administrative Services—The Commissioner of Administrative Services and the State Budget Officer are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information in conjunction with the Financial Data Management office and the Department of Information Services which operates the State's major computer facility.

Legislative Budget Assistant (LBA)—The LBA, an appointed official, is responsible for annually auditing the statewide combined financial statement prepared by the Department of Administrative Services as well as providing staff assistance to the finance committees of the State Legislature.

State Treasurer—The State Treasurer, an elected official, is responsible for executing policy for the management of the State Treasury and depositing and investing state funds as well as the issuance of general obligation and revenue bonds.

State Agencies—Agency Commissioners and Directors are responsible for administering their agencies, in accordance with legislative and executive directives, in order to meet their obligations and effectively service the citizens of the State of New Hampshire.

Budget controls are maintained at the agency and Division of Accounting Services levels by the use of appropriations and encumbrances for purchase orders and contracts with vendors. Open encumbrances are reported as a reserve of fund balance at June 30, 1988. The designated fund balance of appropriations is used as a control mechanism to monitor unencumbered amounts.

The State's biennial budget is prepared on a budgetary basis. After the budget is approved by the legislature and signed by the Governor, budgetary control is maintained by issuing appropriation warrants. Encumbrances, in the form of contracts and purchase orders, are recorded as reductions to available funds for budgetary purposes and subsequently liquidated when expended. Budget and actual revenues and expenditure amounts are recorded in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Budgetary Basis, General and Special Revenue Funds.

Unexpended appropriations are available for subsequent expenditure only to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding 90-day period. Unexpended appropriation balances in the governmental funds lapse to Fund Balance Surplus at the end of the fiscal year unless specifically designated as non-lapsing by law. Capital Projects Fund appropriations lapse two years from date of issue unless extended or designated as non-lapsing by law.

General Government functions are accounted for in the governmental fund types, which are the general, special revenue and capital projects funds.

Last year the General Fund had an operating surplus of \$23 million. This surplus was generated by increased business profits tax revenues which resulted from changes due to the Federal Tax Reform Act of 1986. This year the General Fund ended the year with an operating surplus of \$13 million.

Revenues from governmental type-sources are as follows:

Governmental and Expendable Trusts: (Dollars in Thousands)	Amount	Percent of State Total	Increase (Decrease) From Prior Year	Percent of Increase (Decrease)
Taxes	\$ 561,914	43.3	\$ 5,465	1.0
Fees and Fines	60,279	4.7	10,550	21.2
Federal Grants	307,566	23.7	14,921	5.1
Grants from Private and Local Sources	44,779	3.5	6,575	17.2
Sale of Services and Commodities	43,888	3.4	4,731	12.1
Assessments	9,775	0.8	(246)	(2.5)
Agency Grants	44,585	3.4	(2,008)	(4.3)
Miscellaneous	51,438	4.0	6,262	13.9
Total	<u>\$ 1,124,224</u>	<u>86.8</u>	<u>\$ 46,250</u>	<u>4.3</u>

The net increases of \$46 million in revenues is highlighted in the following discussion of significant changes.

Restricted Revenue increased over the prior year by \$41 million.

	(Millions)
- Federal Grants	\$ 15
- Grants From Other Agencies	6
- Other/Fees & Fines	20
	<u>\$ 41</u>

While categorical grants decreased compared to the prior year, entitlement payments increased for such activities as nursing homes and child placement. Matching revenues from counties and other agencies contributed to the overall increase in restricted revenues.

Unrestricted Revenue increased when compared to the prior year by approximately \$5 million, as follows:

	(Millions)
- Business Profits Tax	\$(13)
- Real Estate Transfer Tax	(10)
- Insurance Premium Tax	5
- Meals and Rooms Tax	7
- Interest and Dividends	4
- Courts Fees and Fines	2
- Estate and Legacy	2
- Other	8
	<u>\$ 5</u>

Unrestricted Revenue increased at an average rate of 7.8%, in fiscal years 1985 and 1986. In 1987, revenue increased 15.2% due to taxpayers taking advantage of the following changes in the federal tax law. The elimination of the capital gain deduction encouraged taxpayers to transfer ownership of appreciated property prior to December 31, 1986, which increased their State tax liability. This resulted in an increase in tax revenues in 1987 for Business Profits Tax and Real Estate Transfer Tax of 35.5%. In fiscal year 1988, total revenue showed minimal growth. This was due to the Business Profits Tax resuming a more normal trend line and Real Estate Transfer Tax dropping by approximately \$10 million to its 1986 level as the overheated real estate market finally abated after years of unprecedented price appreciation. Two tax categories that have continued to be strong performers in fiscal year 1988 were the Meals and Rooms Tax and the Insurance Premium Tax.

Expenditures from governmental type-sources are as follows:

Governmental and Expendable Trusts: (Dollars in Thousands)	Amount	Percent of State Total	Increase (Decrease) From Prior Year	Percent of Increase (Decrease)
General Government Administration of Justice and Public Protection	\$ 146,866	11.3	\$ 7,581	5.4
Resources Protection and Development	115,803	8.9	13,257	12.9
Transportation	59,895	4.6	12,247	25.7
Health and Social Services	135,874	10.5	6,874	5.3
Education	422,663	32.6	37,450	9.7
Debt Service	193,467	14.9	43,279	28.8
Capital Outlays	46,786	3.6	(2,256)	(4.6)
	88,507	6.8	5,608	6.8
Total	<u>\$ 1,209,861</u>	<u>93.2</u>	<u>\$ 124,040</u>	<u>11.4</u>

Discussion of significant changes:

General Government and Transportation reflects spending increases of approximately 5% across the board. This is mainly due to pay increases, increased road maintenance and construction, and inflation.

Administration of Justice and Public Protection showed a significant increase in spending, due to a rise in Court expenditures for the operation of the State's Unified Court System. Other increases were in the Office of the Attorney General, the Corrections Department and the Department of Safety.

Health and Social Services were higher due to expenditures in the Division of Children and Youth because of expanding programs to meet the needs of troubled youth. Increases in welfare programs and in operating the Laconia State School and the New Hampshire Hospital largely contributed to the rise in spending. Mental health activities in the amounts of \$22 million in Federal revenues and expenditures of \$43 million, formerly in the special fund were budgeted in the general fund in 1988.

Resources Protection and Development increases were attributable to the Division of Water Pollution Control, resulting from payments of the State's share of Water Supply and Pollution Control grants to cities and towns.

Education expenditures reflect the increase in appropriations for the distribution of Sweepstakes net proceeds by the Department of Education from \$19 million in 1987 to \$25 million in 1988 plus another \$3 million of excess revenue carryover.

The State of New Hampshire is not subject to any caps on revenues or any other limitations on potential resources. In the case of federal grants, should they be reduced, the state's matching portion, by law, will be reduced accordingly. Although New Hampshire does not have a general sales tax or personal earned income tax, financial controls developed over the last several years allowed timely executive action to be taken to prevent deficit spending and preserve both full funding of the revenue stabilization reserve account and a positive cumulative surplus.

Enterprise Funds:

The State's Enterprise Funds account for the self-supporting activities of State governmental units which render services on a user-charge basis to the general public. These funds account for the activities of the Liquor Commission, Sweepstakes Commission and the Turnpike System.

Non-Expendable Trust Funds:

The Non-Expendable Trust funds account for assets received and expended by the State as trustee. Agency funds account for assets received by the State as an agent.

The structure and function of the Proprietary Operations is covered in more detail in Note 1 to the financial statements.

Schedule of Revenues:

Public Services Enterprises and Non-Expendable Trusts: (Dollars in Thousands)	Amount	Percent of State Total	Increase (Decrease) From Prior Year	Percent of Increase (Decrease)
Turnpike System	\$ 30,806	2.4	\$ 6,229	25.3
Liquor Commission (Net of Cost of Goods Sold)	62,258	4.7	1,515	2.5
Sweepstakes Commission	76,992	5.9	18,284	31.1
Non-Expendable Trusts	1,992	0.2	1,101	123.8
Total	<u>\$ 172,048</u>	<u>13.2</u>	<u>\$ 27,129</u>	<u>18.7</u>

Schedule of Expenditures:

Public Services Enterprises and Non-Expendable Trusts: (Dollars in Thousands)	Amount	Percent of State Total	Increase (Decrease) From Prior Year	Percent of Increase (Decrease)
Turnpike System	\$ 21,089	1.6	\$ 2,498	13.4
Liquor Commission (Excluding Cost of Goods Sold)	17,147	1.3	1,695	11.0
Sweepstakes Commission	49,014	3.8	10,975	28.9
Non-Expendable Trusts	864	0.1	135	18.5
Total	<u>\$ 88,114</u>	<u>6.8</u>	<u>\$ 15,303</u>	<u>21.0</u>

Turnpike System revenues were up \$6 million from \$25 million in 1987 to \$31 million in 1988. Operating expenses were only up \$2 million. Although \$4 million of first time debt service on revenue bonds was expended in Fiscal Year 1988 this was partially offset by interest earned on bond proceeds of \$3 million the net of which was capitalized in accordance with Financial Accounting Standards Board Statement No. 62.

Liquor Commission revenues were up \$3 million from the previous year. However, income from operations at \$45 million was flat compared to 1987, due to overall increases in operating expenses.

Sweepstakes Commission revenues and other income were up \$18 million over the previous year. While operating costs only increased by \$1 million, the net income of \$28 million was up \$7 million over 1987.

Net proceeds from operations for the Liquor Commission and the Sweepstakes Commission are transferred to the general fund. The Sweepstakes net proceeds are transferred to the general fund and are subsequently disbursed by the Department of Education to local school districts throughout the State in accordance with a formula established by law.

The New Hampshire Turnpike System operates a self-supporting toll road which presently consists of approximately 90 miles of limited access highway, 30 miles of which are part of the U.S. Interstate Highway System. All revenues derived by the Turnpike System are for operations, maintenance and repair, and the timely payment of principal and interest on debt.

The State may issue general obligation and revenue bonds authorized by the Legislature and Governor and Council and may also issue notes in anticipation of such bonds. The State may also directly guarantee certain authority or political subdivision obligations. The State has also entered into lease/purchase agreements, but they are not material in the aggregate.

The State's general obligation bonds are rated AA+ by Standard and Poor's Corporation and Aa1 by Moody's Investors Service. The State had approximately \$349 million in general obligation bonds and \$100 million of Turnpike Revenue Bonds outstanding at year-end.

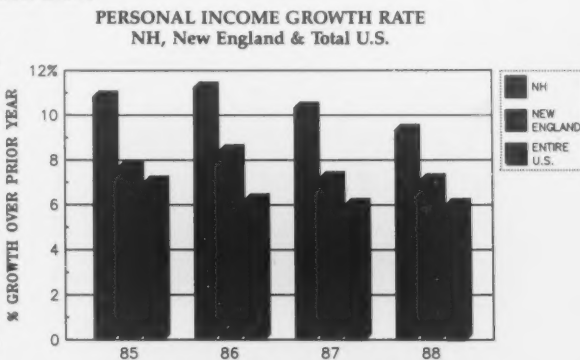
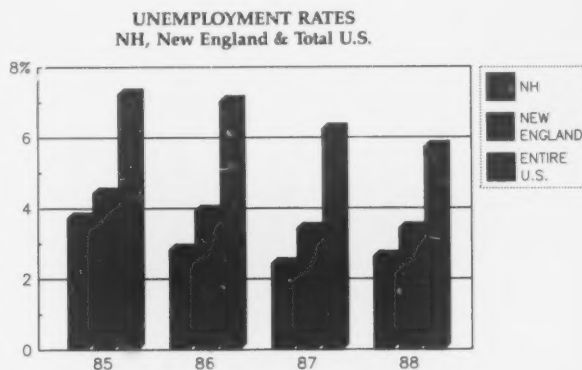
The State did not issue any general obligation bonds or notes in anticipation of bonds to be issued in fiscal 1988. During the year the State issued \$100 million in Turnpike Revenue Bonds. The total amount of debt authorized but not yet issued at year-end is approximately \$271 million of general obligation bonds and \$212 million in Turnpike Revenue Bonds.

The State does not have any debt limitations on other than bond authorizations approved by the legislature. However, there are limitations on contingent debt guarantees by the State. They are as follows:

- a. \$225 million of principal and interest for subdivision pollution control debt.
- b. \$75 million of principal and interest for school building construction.
- c. \$20 million of principal and interest for industrial development bonds.
- d. \$5 million of principal and interest for water resources debt.

Cash deposits into the State Treasury are coordinated jointly by the State Treasurer and the State agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with the State statutes. Cash is primarily invested in United States Treasury and agency obligations and certificates of deposit. For the fiscal year ended June 30, 1988 the average daily balance of pooled investment funds was \$185 million with an average yield of between 6.5 to 7%. Total investment income was \$14 million for the year.

Risk Management was set up to identify loss exposure for all State real and personal property and for personal injury and to develop and operate risk reduction programs. It is,

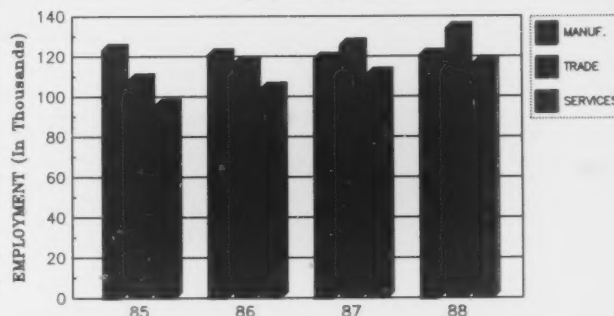


therefore, necessary to determine cost effective means for protecting against various types of losses. These include self-funding, commercial insurance purchases, risk assumption, and recommendations to the Governor and General Court for actions to be taken through the budget process in order to implement the necessary programs.

Prior to July, 1985, the State of New Hampshire relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the State. The limits set by the statute are the basis for risk management programs.

Historically the State of New Hampshire has assumed or self insured for fire, property and general liability purposes. This philosophy continues today, but through risk management, insurance is purchased for twenty programs where there are provisions of law allowing for the purchase, and for programs where it has proven beneficial for the general public. These programs include fleet automobile liability, ski area liability for two state owned and operated ski areas, boiler and unfired pressure vessel coverage, watercraft liabilities, off-highway recreational vehicle liability, fish and game instructors liability, aircraft liability, and a faithful performance position schedule bond covering all state employees and officials.

EMPLOYMENT TRENDS IN NH
Total Employment by Sector



OTHER RELEVANT INFORMATION

Pursuant to Revised Statutes Annotated (RSA's) Chapter 21-I:8(H) (1983), the State Legislative Budget Assistant may designate a Certified Public Accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the State's combined financial statement. Ernst & Whinney, the designated Certified Public Accountant, has performed an independent audit of the State's financial statements for the fiscal year ended June 30, 1988. Their report is presented as the first page of the Financial Section of this report.

As required by federal law, the Legislative Budget Assistant also contracts for a single audit of the State as a whole, which will include a legal compliance report on all federal funds received and expended by state government. This report, including a schedule of Federal Financial Assistance received by the State and comments on internal accounting controls and compliance with laws, rules and regulations, is published separately.

CONCLUSION

This report is a continuing effort to publish an annual report in accordance with GAAP and could not have been prepared without the cooperation of all State agencies. I also wish to express my appreciation for the professionalism and dedication demonstrated by the staff of Administrative Services in the preparation of this report.

Respectfully submitted,

Stephen M. Kennedy, Commissioner
Department of Administrative Services

FINANCIAL SECTION

Ernst & Whinney

Two Wall Street
Manchester, New Hampshire 03101
(603) 625-9601

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the accompanying general purpose financial statements of the State of New Hampshire as of and for the year ended June 30, 1988, as listed in the table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2, the State does not have complete financial records to support the amounts included in its General Fixed Assets Account Group. Accordingly, we were unable to examine sufficient evidential matter to support such amounts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had our audit not been limited in scope as described in the third paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of New Hampshire as of June 30, 1988, and the results of its operations and the changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining financial statements and schedule as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of New Hampshire. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the data included in the statistical section of the report and, therefore, express no opinion thereon.

Ernst & Whinney

Manchester, New Hampshire
December 15, 1988

STATE OF NEW HAMPSHIRE
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1988

ASSETS	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
	General	Special Revenue	Capital Projects	Enterprise
Cash and Temporary Investments (Note 4)	\$ 95,816,301	\$ 43,038,042	\$(33,728,902)	\$ 58,008,980
Receivables (Net of Allowance for Uncollectibles) (Note 5)	38,292,472	65,279,313	1,527,054	4,318,372
Due from Other Funds (Note 13)	54,935,739	2,607,353		
Inventories	2,899,845	1,375,691		20,176,200
Prepaid Expenses	171,450			27,194
Restricted Assets For Turnpike System Revenue Bonds 1987 Series				75,554,268
Deferred Charges				1,839,233
Land				23,955,045
Land Improvements				534,398
Buildings				9,260,586
Building Improvements				846,217
Equipment				8,874,233
Construction in Progress				14,314,809
Infrastructure				209,797,287
Less: Allowance for Depreciation & Amortization				(63,991,330)
Amount to be Provided for Payment of Water Pollution Contracts				
Amount to be Provided for Payment of Bonds				
Amount to be Provided by University System for Payment of Bonds				
Amount to be Provided for Compensated Absences				
Total Assets	\$ 192,115,807	\$ 112,300,399	\$(32,201,848)	\$ 363,515,492
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 29,269,022	\$ 33,426,547	\$ 5,521,627	\$ 12,309,531
Accrued Payroll	14,274,486	5,970,733		1,266,163
Due to Other Funds (Note 13)	2,857,976			54,935,739
Deferred Revenue	12,207,801	9,276,537	1,301,037	2,221,268
Other Liabilities	2,838,291			1,588,665
Accrued Interest Payable				1,339,901
Custodial Funds Payable				
Bonds Payable (Note 7 & 15)				175,203,649
Water Pollution Contracts Payable (Note 7)				
Compensated Absences Payable (Note 7)				2,199,146
Total Liabilities	61,447,576	48,673,817	6,822,664	251,064,062
FUND EQUITY:				
Investment in Fixed Assets				
Contributions from Other Funds				8,489,347
Contributed Capital, Net of Amortization (Note 14)				51,605,334
Retained Earnings				52,356,749
Fund Balance:				
Reserved for Unemployment Compensation Benefits ...				
Reserved for Various Trust Funds				
Reserved for Encumbrances	15,919,529	64,638,608	46,960,894	
Reserved for Inventories	2,899,845	1,375,691		
Unreserved:				
Designated Reserve for Revenue Stabilization (Note 2)	27,142,502			
Designated Capital Reserve (Note 2)	1,153,000			
Designated—Other	70,405,669	1,789,910		
Undesignated/Surplus (Deficit)	13,147,686	(4,177,627)	(85,985,406)	
Total Fund Equity	130,668,231	63,626,582	(39,024,512)	112,451,430
Total Liabilities and Fund Equity	\$ 192,115,807	\$ 112,300,399	\$(32,201,848)	\$ 363,515,492

SEE NOTES TO FINANCIAL STATEMENTS

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
	(Unaudited) General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
\$ 218,482,170			\$ 381,616,591
6,673,612			116,090,823
250,623			57,793,715
			24,451,736
			198,644
			75,554,268
			1,839,233
	\$ 128,603,902		152,558,947
	1,385,119		1,919,517
	212,274,493		221,535,079
	11,215,223		12,061,440
	96,047,334		104,921,567
			14,314,809
			209,797,287
			(63,991,330)
		\$ 1,389,310	1,389,310
		256,141,075	256,141,075
		17,843,675	17,843,675
		29,174,938	29,174,938
<u>\$ 225,406,405</u>	<u>\$ 449,526,071</u>	<u>\$ 304,548,998</u>	<u>\$ 1,615,211,324</u>
			\$ 80,526,727
			21,511,382
			57,793,715
\$ 2,114,587			25,006,643
			6,541,543
36,992,911			1,339,901
			36,992,911
		\$ 273,984,750	449,188,399
		1,389,310	1,389,310
		29,174,938	31,374,084
<u>39,107,498</u>		<u>304,548,998</u>	<u>711,664,615</u>
	\$ 449,526,071		449,526,071
			8,489,347
			51,605,334
			52,356,749
182,658,755			182,658,755
3,640,152			3,640,152
			127,519,031
			4,275,536
			27,142,502
			1,153,000
			72,195,579
			(77,015,347)
<u>186,298,907</u>	<u>449,526,071</u>		<u>903,546,709</u>
<u>\$ 225,406,405</u>	<u>\$ 449,526,071</u>	<u>\$ 304,548,998</u>	<u>\$ 1,615,211,324</u>

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STATE OF NEW HAMPSHIRE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	
	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only)
REVENUES:					
General Property Taxes	\$ 9,685,574	\$ 179,516			\$ 9,865,090
Special Taxes	312,016,622				312,016,622
Personal Taxes	31,695,356				31,695,356
Business License Taxes	50,042,850	84,599,643			134,642,493
Non-Business License Taxes	3,651,043	44,317,255		\$ 25,725,679	73,693,977
Fees	27,360,087	7,977,034			35,337,121
Fines, Penalties and Interest	23,584,808	1,356,873			24,941,681
Grants from Federal Government	59,183,171	246,801,245	\$ 1,581,638		307,566,054
Grants from Private and Local Sources	11,080,390	33,284,754	414,002		44,779,146
Rents and Leases	3,332,327				3,332,327
Interest, Premiums and Discounts	5,590,812	1,258,806		14,040,432	20,890,050
Sale of Commodities	8,087,209	82,078	18,000		8,187,287
Sale of Services	28,786,423	6,913,817			35,700,240
Assessments	8,253,306	1,522,020			9,775,326
Grants from Other Agencies	38,998,875	5,586,016			44,584,891
Miscellaneous	20,054,778	7,036,209	125,232		27,216,219
Total Revenues	641,403,631	440,915,266	2,138,872	39,766,111	1,124,223,880
EXPENDITURES:					
General Government	127,295,241	15,829,052	3,742,047		146,866,340
Administration of Justice and Public Protection	97,039,515	13,464,785	5,298,509		115,802,809
Resource Protection and Development	38,393,323	13,480,427	8,021,513		59,895,263
Transportation	5,806,743	127,856,975	2,210,365		135,874,083
Health and Social Services	178,901,947	215,045,079	14,097,255	14,619,116	422,663,397
Education	138,775,679	41,316,917	13,374,388		193,466,984
Debt Service	37,520,610	9,166,847	98,550		46,786,007
Capital Outlays	10,256,141	74,780,679	3,469,584		88,506,404
Total Expenditures	633,989,199	510,940,761	50,312,211	14,619,116	1,209,861,287
Revenues Over (Under)					
Expenditures	7,414,432	(70,025,495)	(48,173,339)	25,146,995	(85,637,407)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	3,469,455	81,293,393	908,127		85,670,975
Enterprise Transfers In	73,947,121				73,947,121
Operating Transfers Out	(81,967,803)	(3,368,345)	(334,827)		(85,670,975)
Miscellaneous	200,186	4,565,158			4,765,344
Other Financing Sources (Uses)	(4,351,041)	82,490,206	573,300		78,712,465
Revenues and Other Sources Over (Under)					
Expenditures and Other Uses	3,063,391	12,464,711	(47,600,039)	25,146,995	(6,924,942)
Fund Balances—July 1	127,604,840	51,161,871	8,575,527	157,511,760	344,853,998
Fund Balances—June 30	\$ 130,668,231	\$ 63,626,582	\$(39,024,512)	\$ 182,658,755	\$ 337,929,056

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW HAMPSHIRE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	GOVERNMENTAL FUND TYPES				
	General			Special Revenue	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
REVENUES:					
General Property Taxes	\$ 8,892,597	\$ 9,685,574	\$ 792,977	\$ 194,000	\$ 179,516
Special Taxes	329,344,301	313,766,152	(15,578,149)		
Personal Taxes	31,438,783	31,695,356	256,573		
Business License Taxes	44,490,728	50,042,850	5,552,122	83,856,936	83,368,314
Non-Business License Taxes	3,741,004	3,651,043	(89,961)	46,580,773	44,317,255
Fees	24,296,145	25,728,207	1,432,062	7,196,863	7,977,034
Fines, Penalties and Interest	20,893,169	22,727,273	1,834,104	582,659	1,356,874
Grants from Federal Government	108,058,496	77,189,325	(30,869,171)	290,829,564	221,299,771
Grants from Private and Local Sources	11,267,543	11,148,335	(119,208)	33,989,397	30,872,652
Rents and Leases	3,621,673	3,297,567	(324,106)	3,807	
Interest, Premiums and Discounts	2,046,690	5,165,662	3,118,972	2,265,674	1,295,303
Sale of Commodities	5,352,658	8,087,209	2,734,551	83,173	82,078
Sale of Services	30,033,312	28,032,135	(2,001,177)	5,709,321	6,473,272
Assessments	9,215,815	8,253,306	(962,509)	1,095,594	1,522,020
Grants from Other Agencies	42,182,511	38,879,923	(3,302,588)	6,592,622	5,559,715
Miscellaneous	20,022,657	22,889,955	2,867,298	3,378,184	6,997,515
Total Revenues	694,898,082	660,239,872	(34,658,210)	482,359,067	411,301,319
EXPENDITURES:					
General Government	163,161,709	125,740,013	37,421,696	16,750,686	15,323,909
Administration of Justice and Public Protection ..	110,191,504	98,244,383	11,947,121	19,075,695	13,385,418
Resource Protection and Development	41,188,878	39,228,565	1,960,313	29,168,383	13,244,068
Transportation	6,989,673	5,468,369	1,521,304	166,733,616	127,826,685
Health and Social Services	208,254,685	195,724,040	12,530,645	209,689,674	193,247,867
Education	145,387,680	132,112,383	13,275,297	52,481,504	41,343,257
Debt Service	37,520,609	37,520,609		9,166,847	9,166,847
Capital Outlays	10,256,142	10,256,142		74,780,680	74,780,680
Total Expenditures	722,950,880	644,294,504	78,656,376	577,847,085	488,318,731
Revenues Over (Under) Expenditures ...	(28,052,798)	15,945,368	43,998,166	(95,488,018)	(77,017,412)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	74,102,760	72,561,736	(1,541,024)	82,943,266	82,943,266
Operating Transfers Out	(83,617,676)	(83,617,676)		(3,368,345)	(3,368,345)
Miscellaneous	1,111,887	1,111,887		74,742	74,742
Bonds Authorized				(7,530,199)	(7,530,199)
Other Financing Sources (Uses)	(8,403,029)	(9,944,053)	(1,541,024)	72,119,464	72,119,464
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(36,455,827)	6,001,315	42,457,142	(23,368,554)	(4,897,948)
FUND BALANCES JULY 1	178,634,191	178,634,191		116,077,412	116,077,412
FUND BALANCES JUNE 30	\$ 142,178,364	\$ 184,635,506	\$ 42,457,142	\$ 92,708,858	\$ 111,179,464

SEE NOTES TO FINANCIAL STATEMENTS

TOTAL			
(Memorandum Only)			
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ (14,484)	\$ 9,086,597	\$ 9,865,090	\$ 778,493
	329,344,301	313,766,152	(15,578,149)
	31,438,783	31,695,356	256,573
(488,622)	128,347,664	133,411,164	5,063,500
(2,263,518)	50,321,777	47,968,298	(2,353,479)
780,171	31,493,008	33,705,241	2,212,233
774,215	21,475,828	24,084,147	2,608,319
(69,529,793)	398,888,060	298,489,096	(100,398,964)
(3,116,745)	45,256,940	42,020,987	(3,235,953)
(3,807)	3,625,480	3,297,567	(327,913)
(970,371)	4,312,364	6,460,965	2,148,601
(1,095)	5,435,831	8,169,287	2,733,456
763,451	35,743,133	34,505,407	(1,237,726)
426,426	10,311,409	9,775,326	(536,083)
(1,032,907)	48,775,133	44,439,638	(4,335,495)
3,619,331	23,400,841	29,887,470	6,486,629
(71,057,748)	1,177,257,149	1,071,541,191	(105,715,958)
1,426,777	179,912,395	141,063,922	38,848,473
5,690,277	129,267,199	111,629,801	17,637,398
15,924,315	70,357,261	52,472,633	17,884,628
38,906,931	173,723,289	133,295,054	40,428,235
16,441,807	417,944,359	388,971,907	28,972,452
11,138,247	197,869,184	173,455,640	24,413,544
	46,687,456	46,687,456	
	85,036,822	85,036,822	
89,528,354	1,300,797,965	1,132,613,235	168,184,730
18,470,606	(123,540,816)	(61,072,044)	62,468,772
	157,046,026	155,505,002	(1,541,024)
	(86,986,021)	(86,986,021)	
	1,186,629	1,186,629	
	(7,530,199)	(7,530,199)	
	63,716,435	62,175,411	(1,541,024)
18,470,606	(59,824,381)	1,103,367	60,927,748
	294,711,603	294,711,603	
\$ 48,470,606	\$ 234,887,222	\$ 295,814,970	\$ 60,927,748

STATE OF NEW HAMPSHIRE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Total (Memorandum Only)
	Enterprise	Non Expendable Trust	
Sales/Tolls	\$ 275,550,363		\$ 275,550,363
Cost of Goods Sold/Prizes	164,110,941		164,110,941
Gross Profit	111,439,422		111,439,422
Other Operating Revenues:			
Investment Income		\$ 826,835	826,835
Contributions		83,508	83,508
Other		1,081,199	1,081,199
Total Operating Revenues	111,439,422	1,991,542	113,430,964
Operating Expenses:			
Personnel Services	16,852,120		16,852,120
Supplies and Materials	1,040,367		1,040,367
Communications	390,701		390,701
Travel	164,758		164,758
Printing and Binding	802,918		802,918
Advertising	1,061,602		1,061,602
Commissions	3,986,298		3,986,298
Heat, Light and Power	913,391		913,391
Rent	2,163,636		2,163,636
Repairs and Alterations	1,347,427		1,347,427
Payroll Benefits	3,172,349		3,172,349
Interest and Debt Costs	5,847,006		5,847,006
Indirect Costs	481,660		481,660
Capital Outlays	15,251		15,251
Depreciation	5,189,848		5,189,848
Enforcement	1,120,014		1,120,014
Benefits and Refunds		352,054	352,054
Loss on Disposals	39,552		39,552
Amortization of Deferred Charges	39,259		39,259
Miscellaneous	1,690,726	511,703	2,202,429
Total Operating Expenses	46,318,883	863,757	47,182,640
Operating Income	65,120,539	1,127,785	66,248,324
Other Income:			
Licenses	2,069,546		2,069,546
Beer Taxes	11,382,687		11,382,687
Interest on Temporary Investments	1,114,532		1,114,532
Miscellaneous	3,118,546		3,118,546
Total Other Income	17,685,311		17,685,311
Income Before Operating Transfers	82,805,850	1,127,785	83,933,635
Operating Transfers:			
To General Fund	73,947,121		73,947,121
Reimbursement from General Fund	(858,079)		(858,079)
Net Operating Transfers	73,089,042		73,089,042
Net Income	9,716,808	1,127,785	10,844,593
Add: Depreciation on Fixed Assets			
Acquired by Grants and Entitlements			
Externally Restricted for Capital			
Acquisitions and Construction that			
Reduces Contributed Capital	1,134,010		1,134,010
Increase in Retained Earnings/Fund Balance	10,850,818	1,127,785	11,978,603
Retained Earnings/Fund Balance—July 1	41,505,931	2,512,367	44,018,298
Retained Earnings/Fund Balance—June 30	\$ 52,356,749	\$ 3,640,152	\$ 55,996,901

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW HAMPSHIRE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Total (Memorandum Only)
	Enterprise	Non Expendable Trust	
SOURCE OF FUNDS			
OPERATIONS			
Income Before Operating Transfers	\$ 82,805,850	\$ 1,127,785	\$ 83,933,635
Items Not Requiring the Use of Working Capital:			
Depreciation	5,189,848		5,189,848
Amortization	45,133		45,133
Loss On Disposals	39,750		39,750
Total Financial Resources from Operations ...	88,080,581	1,127,785	89,208,366
Increase in Bonds Payable—Revenue Bonds	100,000,000		100,000,000
Less: Bond Discount	677,475		677,475
Net Increase in Bonds Payable—Revenue Bonds	99,322,525		99,322,525
Contributed Capital	4,762,436		4,762,436
Operating Transfers from Other Funds	590,338		590,338
Total Source of Funds	\$ 192,755,880	\$ 1,127,785	\$ 193,883,665
USE OF FUNDS			
Additions to Fixed Assets	\$ 30,614,305		\$ 30,614,305
Decrease in Bonds Payable	3,404,700		3,404,700
Increase in Restricted Assets	75,554,268		75,554,268
Deferred Charges	1,878,492		1,878,492
Operating Transfers to General Fund	45,968,836		45,968,836
Operating Transfer to General Fund (Education)	27,978,285		27,978,285
Increase in Working Capital	7,356,994	1,127,785	8,484,779
Total Use of Funds	\$ 192,755,880	\$ 1,127,785	\$ 193,883,665
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Current Assets:			
Cash and Temporary Investments	\$ 17,173,260	\$ 1,137,470	\$ 18,310,730
Receivables	1,411,973	(9,685)	1,402,288
Inventories	929,595		929,595
Prepaid Expenses	(18,364)		(18,364)
Total Current Assets	19,496,464	1,127,785	20,624,249
Current Liabilities:			
Accounts Payable and Accruals	(1,859,690)		(1,859,690)
Due to Other Funds	(8,939,879)		(8,939,879)
Accrued Interest Payable	(1,339,901)		(1,339,901)
Total Current Liabilities	(12,139,470)		(12,139,470)
Increase in Working Capital	\$ 7,356,994	\$ 1,127,785	\$ 8,484,779

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 1988**

REPORTING ENTITY AND GENERAL COMMENTS

The General Purpose Financial Statements include all significant activities and programs that are controlled by or dependent on the State of New Hampshire's (the State) executive or legislative branches. Control by or dependence on the State was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenue or general obligations of the State, and the State's obligation to fund any deficits that may occur.

Based on the foregoing criteria, the following activities and programs are excluded from the State's financial statements:

- New Hampshire Industrial Development Authority
- New Hampshire Higher Education and Health Facilities Authority
- New Hampshire Housing Finance Authority
- University System of New Hampshire (Other than net appropriation)
- Maine-New Hampshire Bridge Authority
- New Hampshire Water Resources Board (Partial)
- New Hampshire Retirement System (Partial)
- New Hampshire Municipal Bond Bank
- New Hampshire School Building Authority

NOTE 1—FINANCIAL STATEMENTS AND DESCRIPTIONS OF FUNDS AND ACCOUNT GROUPS:

A. Financial Statements:

The financial statements of the State have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Fund Accounting:

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

GOVERNMENTAL FUND TYPES

General Fund:

The General Fund accounts for all financial transactions not accounted for in any other fund. By law, all revenues received by any department or agency of the State, other than the New Hampshire College of Agriculture and Mechanical Arts, the University System of New Hampshire, the building projects revolving fund of the State Board of Education and revenues received by certain independent financing authorities of the State, are paid at least weekly into the State Treasury. All such revenues, other than the designated revenues described below, are credited to the General Fund except for certain grants from the Federal Government which are budgeted and reported in the General Fund. Annual expenditures for all state activities and functions not allocated by law to other funds are charged to the General Fund.

Special Revenue Funds:

The Special Revenue Funds include the following:

Highway Fund: Under the State Constitution, all revenue in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operators' licenses, gasoline road toll or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction and maintenance of public highways and for the pay-

NOTE 1—FINANCIAL STATEMENTS AND DESCRIPTIONS OF FUNDS AND ACCOUNT GROUPS: (Continued)

ment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the State for highway purposes are credited to the Highway Fund. While the principal and interest on State highway bonds is charged to the Highway Fund, the assets of such funds are not pledged to such bonds.

Fish and Game Fund: The operations of the State Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties and recoveries, and federal grants-in-aid related to fish and game management, all of which is appropriated annually by the legislature for the use of the Fish and Game Department.

Special Fund: The State allocates to the Special Fund expenditures for and revenues of programs which, by statute, operate primarily from specific program revenues or from federal grants-in-aid, including the State welfare programs, education assistance programs and the administrative expenses of the Department of Employment Security.

Capital Projects Fund:

The State records in the Capital Projects Fund certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants. Also recorded in this Fund are capital improvement appropriations issued by the State for the purpose of funding capital improvements for the University System of New Hampshire (USNH). As detailed in Note 7, certain USNH bonds are classified as self-liquidating. The debt service requirements are funded by USNH by way of direct payments to the State Treasurer and are recorded in the General Fund.

PROPRIETARY FUND TYPE

Enterprise Funds:

The State's Enterprise Funds were established to account for the self-supporting activities of State governmental units which render services on a user-charge basis to the general public. These funds account for the Turnpike System, Liquor Commission, and the activities of the Sweepstakes Commission.

New Hampshire Turnpike System: The State constructs, maintains and operates transportation toll facilities. Under Chapter 203, Laws of 1986, the Legislature established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and a by-pass around Conway and North Conway in northern New Hampshire. Other proposed projects will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening and toll plaza construction. Additional projects are planned which will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.

Liquor Commission: Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the State must be sold through a sales and distribution system operated by the State Liquor Commission, comprised of three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates State liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses and other merchandising facilities for liquor sales, to supervise the construction of State-owned liquor stores at various locations in the State, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers plus an additional fee on beverage sold by such retailers at the rate of 30 cents per gallon.

Sweepstakes Commission: The State conducts instant, daily, and weekly lottery games throughout the State through tickets sold by or on behalf of the State Sweepstakes Commission in State liquor stores, at horse and dog race tracks and at specified retail outlets in the State. The excess revenues after expenses of the Commission are transferred to the Department of Education in the General Fund, to be subsequently used for aid to education by way of a transfer process to the local school districts. Fiscal year 1988 marked the third year for the Tri-State Megabucks Program, a unique lottery program conducted in cooperation with Vermont and Maine. The New Hampshire Sweepstakes Commission hosts the weekly Megabucks drawing for all three states. The Tri-State computer facility is located in the State of Maine. Vermont administers the central accounting function for the payment of the jackpot prizes and joint operating expenses. The New Hampshire Sweepstakes Commission conducts sales through an on-line computer system by means of some 750 sales terminals and a season pass subscription plan. The State's proceeds from this program are included in Sweepstakes revenues and are therefore a part of the Sweepstakes funds distributed to school districts throughout the State as aid to education.

NOTE 1—FINANCIAL STATEMENTS AND DESCRIPTIONS OF FUNDS AND ACCOUNT GROUPS: (Continued)**FIDUCIARY FUND TYPE***Trust and Agency Funds:*

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in the fiduciary fund type. The fiduciary fund type is comprised of an expendable trust fund, non-expendable trust funds, and agency funds. The non-expendable trust funds account for assets received and expended by the State as trustee. Agency funds account for assets received by the State as an agent. The expendable trust fund represents the State's Unemployment Compensation Trust Fund.

ACCOUNT GROUPS*General Fixed Assets: (Unaudited)*

General fixed assets acquired for use by the State in the performance of its operations, other than operations accounted for in the proprietary fund type and the non-expendable trust funds, are reflected in the general fixed assets account group at the time of acquisition. As of June 30, 1988, the State has recorded in the general fixed assets account group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at their fair market value at the time donated. Infrastructure assets of the Highway Fund, consisting mainly of highways, roads and bridges are not recorded in the general fixed assets account group. However, infrastructure assets are recorded in the Enterprise Fund for the Turnpike operations.

General Long-Term Debt:

Activities related to general government unmatured long-term general obligation bonds payable, water pollution contract obligations and the cumulative liability for compensated absences are reflected in the General Long-Term Debt Account Group.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*Basis of Accounting:*

The accounts of all Governmental Funds, the Expendable Trust Fund and Agency Funds are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available to finance operations during the year. Expenditures and liabilities are recognized when obligations are incurred as a result of receipt of goods or services, except that interest on long-term debt is recognized as an expenditure when it becomes payable.

The accounts of the Enterprise Funds and Non-Expendable Trust Funds are maintained and reported on the accrual basis of accounting.

Interpretation of "Total (Memorandum Only)" Column:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with GAAP. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Inventories:

Consumable inventories are stated at average cost. Sweepstakes game tickets are stated at the lower of cost (first-in, first-out method) or market.

Restricted Assets:

The proceeds of Turnpike System revenue bonds 1987 series, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by the bond resolution adopted by the Legislature November 9, 1987. The "cash—construction" account is used to report those proceeds of the revenue bond issuance that are restricted for use in construction. The "debt service—interest" and "debt service—principal" accounts are used to segregate resources accumulated for debt service payments on the given maturity dates. The "debt service reserve" account is used to report resources set aside to make up potential future deficiencies in the debt service—interest and debt service—principal accounts. The "general reserve—renewal and replacement" account is used to report resources set aside to meet deficiencies in revenues, to fund asset renewals and replacements, to pay Turnpike general obligation bonds, or for any other lawful purpose of the Turnpike System. The "insurance reserve" account is used to report the

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

amount that will be available to insure against risks that would otherwise be covered by policies of insurance. The "special redemption" account is used to report any moneys not otherwise required by the bond resolution to be deposited or applied, including excess proceeds after the completion of a project. The "rebate" account is used to report any excess of interest earned on nonpurpose investment (as defined in section 148 of the internal revenue code of 1986, as amended).

Fixed Assets:

General:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Interest costs incurred during construction are not capitalized. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the State. Assets in the general fixed assets account group are not depreciated.

Enterprise:

Fixed assets related to the Enterprise Funds are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation is computed using the straight-line method over the fixed assets' estimated useful lives which are as follows: Infrastructure—50 years; Buildings—20 to 40 years; Leasehold Improvements—6 years; and Equipment—3 to 10 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Fixed assets purchased or constructed by other funding sources are recorded at cost and offset by an increase to "Contributions from Other Funds" or "Contributed Capital, net of amortization".

In accordance with Financial Accounting Standards Board Statement No. 62, interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In fiscal year 1988, net interest cost capitalized in the Turnpike System—enterprise fund amounted to \$1,165,010 net, represented by interest expense of \$4,460,329 less interest income of \$3,295,319.

Encumbrances:

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the reserve for encumbrances account.

Interfund and Intrafund Transactions:

The State accounts for interfund and intrafund transactions as described below:

Reimbursements—Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel and maintenance. These fees are recorded as revenue by the servicing department and as expenditures by the user department.

Capital Projects:

The State records the resources obtained and used for the acquisition, construction or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded, and encumbrances are liquidated, as incurred.

Resources obtained to finance capital projects include federal grants, short-term bond anticipation notes, and general obligation bonds. Short-term bond anticipation notes are recorded as a fund liability. General obligation bonds are recorded as a liability in the Long-Term Debt Account Group, and as other financing sources in the funds that receive the proceeds.

Since expenditures are recorded as incurred, and the proceeds of bonds are recorded when received, which is normally after the project has been completed, the Undesignated Surplus in the Highway Fund and Capital Projects Fund reflect deficits.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital projects of the University System are recorded in the Capital Projects Fund until completion of the project. Upon issuance of the general obligation bonds, the liability and amounts to be provided for payment of the bonds are recorded in the Long-Term Debt Account Group. The State pays all debt service on these bonds. However, the State is reimbursed by the University System for the debt service on self-amortizing bonds.

Bond Discounts/Issuance Costs:

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance cost for the proprietary fund type are deferred and amortized over the term of the bonds. Bond discounts are amortized using the effective interest method, and bond issuance costs are amortized using the straight line method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

Lease Commitments:

The State has lease commitments which extend forward a number of years. Rent expenditures under long and short-term agreements, for all funds, for fiscal 1988 amounted to \$19,952,000. Agreements which are in substance capital leases, and operating lease commitments, are not considered material to the State's financial statements.

Compensated Absences:

Every continuing full-time employee in the State classified service is entitled to annual and sick leave with full pay on the basis of the employee's scheduled work week and years of service. Annual and sick leave is computed at the end of each completed month of service. Employees rendering seasonal or temporary service in excess of six months are entitled to annual and sick leave at the same rate for time actually worked.

Annual and sick leave is cumulative for not more than the prescribed days and will not lapse. The maximum annual accrual ranges from 12 to 24 days for annual leave and 15 days for sick leave. The maximum cumulative accrual ranges from 30 to 48 days for annual leave and from 90 to 120 days for sick leave. Additional annual leave ("Bonus Days") is earned for each three month period during which time the employee does not utilize any sick leave. The maximum annual accrual is four days. There is no limit on the cumulative accrual for "Bonus Days".

The State's cumulative liability, which amounted to \$29,174,938 for governmental fund types, was recorded in the General Long-Term Debt Account Group. The liability for the enterprise funds amounted to \$1,426,892 for Liquor, \$162,369 for Sweepstakes, and \$609,855 for Turnpike at June 30, 1988 and is reported in those funds.

Grants:

Certain federal grants, made on the basis of entitlement periods, are recorded as receivables and revenues when entitlement occurs. Other federal grants made on a reimbursement basis are recorded as receivables and revenues when the related expenditures are incurred.

Budget Control and Reporting:

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature. This budget consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose or the Legislature adopt a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

This budget is prepared and adopted for the following Budgetary Funds: General Fund, Special Revenue Funds (Special Fund, Highway Fund, Fish and Game Fund), Capital Projects Fund and Enterprise Funds. A detailed description of these funds and their functions is explained in Note 1—Financial Statements and Descriptions of Funds and Account Groups.

In addition to the enacted biennial budget, the Governor may submit supplemental appropriation requests necessary to meet expenditures due to laws enacted subsequent to the general budget appropriation.

Financial control procedures are maintained by both the executive and legislative branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain a system of governmental cost accounting. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-Budgetary Basis, General and Special Revenue Funds, is presented as part of the General Purpose Financial Statements.

The State issues a supplemental financial report on a budgetary basis.

Designated—Other:

The balance sheet account, "Designated—Other" represents amounts designated for unexpended balances of appropriations.

Designated Reserve for Revenue Stabilization:

Legislation was enacted to establish, as of July 1, 1987, a Reserve for Revenue Stabilization Account within the General Fund. At the close of each fiscal year, any General Fund operating excess of revenues over expenditures will be transferred to the Reserve for Revenue Stabilization. The balance in the reserve is limited to five percent of the actual General Fund unrestricted revenues for the fiscal year. Any amount in excess of five percent must be transferred to General Fund Undesignated Fund Balance. In the event of a General Fund operating deficit at the close of a fiscal year, the Comptroller shall notify the Advisory Budget Control Committee and the Governor and request a transfer from the Reserve for Revenue Stabilization Account of sufficient funds, to the extent available, to reduce or eliminate the deficit. Such a transfer may be made only if unrestricted General Fund revenues for that fiscal year were less than the budget forecast, and in a sum that does not exceed the amount of that revenue shortfall or the amount of the deficit, whichever is less. No monies in the Reserve for Revenue Stabilization Account can be used for any purpose other than deficit reduction or elimination except by specific appropriation approved by two-thirds of each house of the Legislature and by the Governor.

Designated Capital Reserve:

Chapter 399:10 II, Laws of 1987 revised by Chapter 254:83, Laws of 1988 authorize the State Treasurer, with the prior approval of the Fiscal Committee and Governor and Council to utilize 50 percent of any General Fund unrestricted revenue which is in excess of \$524,320,000 for fiscal year 1987, \$550,900,000 for fiscal year 1988, and \$571,100,000 for fiscal year 1989, as determined by the official audit performed pursuant to RSA 21-I:8, I(h) at the close of each fiscal year for the purpose of providing funds to pay capital project costs in lieu of issuing bonds. As amounts are approved, funds are transferred to the Capital Projects Fund. During the 1988 legislative regular session \$2,028,000 was appropriated from the Capital Reserve Fund out of an available \$6,982,000. The balance of \$4,954,000 was closed to Undesignated Surplus as of June 30, 1988. The balance shown on the financial statements as of June 30, 1988, represents unexpended funds which were appropriated during the 1988 legislative regular session.

NOTE 3—RECONCILIATION OF GAAP TO BUDGET DIFFERENCES:

The following schedule reconciles fund equity of the various funds at June 30, 1988, if a difference exists between the budgetary method and generally accepted accounting principles (GAAP).

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Total (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency	
Fund Equity at June 30, 1988 (Budgetary) ..	\$ 184,635,506	\$ 111,179,464	\$ 132,190,551	\$ 114,293,288	\$ 185,303,149	\$ 727,601,958
Adjustments and Reclassifications:						
Accounts Receivable	(5,054,725)	23,409,096	48,604	(427,364)		17,975,611
Accounts Payable and Accrued Expenses	(42,467,157)	(39,225,213)	(5,494,427)	(5,001,911)		(92,188,708)
Due to Trust Funds	(250,623)					(250,623)
Adjustments Affecting Enterprise Transfer to General Fund	(3,587,417)			3,587,417		
Adjustments Affecting Special Fund Lapses to General Fund	(2,607,353)	2,607,353				
Elimination of Bonds Authorized and Unissued		(34,344,118)	(165,769,240)			(200,113,358)
Recording of Additional Trust and Agency Funds					995,758	995,758
Fund Equity at June 30, 1988 (GAAP)	<u>\$ 130,668,231</u>	<u>\$ 63,626,582</u>	<u>\$(39,024,512)</u>	<u>\$ 112,451,430</u>	<u>\$ 186,298,907</u>	<u>\$ 454,020,638</u>

In addition to the biennial operating budget, the Legislature adopts authorizations for the issuance of general obligation bonds. The expenditures of the funds obtained thereby are accounted for in the Capital Projects Fund and Enterprise Fund for Turnpikes. These activities are not presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Budgetary Basis, General and Special Revenue Funds. The State Liquor Commission and Sweepstakes Commission are budgeted in the General Fund. The Fiduciary Fund type is not budgeted.

NOTE 4—CASH AND TEMPORARY INVESTMENTS:

The State pools substantially all cash and investments, except for separate cash and investment accounts which are maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments is included on the accompanying balance sheets under the caption "Cash and Temporary Investments."

DEPOSITS:

The State Treasurer is not required to collateralize deposits. The following statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits through formal evaluation of depositories by the Treasury Department and strict oversight by elected officials.

New Hampshire Revised Statutes Annotated (RSA) Chapter 6:7 as amended (1987) establishes the policy the State Treasurer must adhere to when depositing public monies. The statute restricts deposits to certain types of banking institutions and limits the amounts that may be on deposit with a particular bank at any one time. In addition, all depositories used by the State must be approved, at least annually, by Governor and Council.

RSA Chapter 6:8 sets the policy the State Treasurer must adhere to when investing State funds. With the approval of Governor and Council, the Treasurer must invest in obligations which are legal investments for savings banks and trust companies, in all types of savings accounts, in certificates of deposit of state or federally chartered banking institutions within New Hampshire, or in certificates of deposit of national banks within the Commonwealth of Massachusetts.

RSA 6-B:2 as amended (1985) requires the State Treasurer to submit quarterly financial reports detailing depository activity to the Governor and Council, the Commissioner of Administrative Services and the Legislative Fiscal Committee.

The State Treasury Department has adopted a policy of formally evaluating the condition of its depositories on a quarterly basis.

NOTE 4—CASH AND TEMPORARY INVESTMENTS: (Continued)

Deposits are classified as to credit risk by the three categories described below:

Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.

Category 3 Uncollateralized.

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Demand Deposits	\$ 1,267,726		\$ 33,625,822	\$ 34,893,548	\$ 16,158,745
Money Market Accounts	686,754		30,983,125	31,669,879	31,669,879
Savings Accounts	79,305		3,891,217	3,970,522	3,970,522
Certificates of Deposit	294,080		114,823,901	115,117,981	115,117,981
Total	<u>\$ 2,327,865</u>		<u>\$ 183,324,065</u>	<u>\$ 185,651,930</u>	<u>\$ 166,917,127</u>

INVESTMENTS

The State Treasurer is not required to collateralize investments. The following statutory requirements and Treasury Department policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

All state investments are made with or through banks which are formally evaluated by the Treasury Department on a quarterly basis.

No written contracts relative to third party holders of collateral or establishing each party's rights with regard to repurchase agreements are entered into by the State. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. Repurchase Agreements represent a small portion of the State's portfolio (under 2%). Only overnight repurchase agreements are entered into and only with banks which serve as state depositories. No brokers or dealers are involved in these transactions. The financial condition of each such bank is evaluated by the State Treasury Department on a quarterly basis. The State Treasurer is prohibited by statute from entering into reverse repurchase agreements.

Chapter 97 of the Laws of 1988 continued the Public Investment Study Committee, which was created in the 1987 session (Chapter 55, Laws of 1987). The Committee has been directed to explore the possibility of establishing state-wide collateral and local government investment pools and preparing related legislation for consideration in the 1989 legislative session.

In accordance with GASB Statement 3, investments are classified as to risk by the three categories described below:

Category 1 Insured or registered in the State's name, or securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

NOTE 4—CASH AND TEMPORARY INVESTMENTS: (Continued)

	Categories			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreements	\$ 2,289,000			\$ 2,289,000	\$ 2,289,000
Stocks and Bonds	1,610,965			1,610,965	2,160,349
Government Obligations	957,719			957,719	1,030,202
Subtotal	<u>\$ 4,857,684</u>			<u>4,857,684</u>	<u>5,479,551</u>
United States Obligations (funds on deposit in the Federal Unemployment Trust Fund)				178,099,730	178,099,730
Mutual Funds (Deferred Compensation Plan)				27,958,934	27,958,934
Total Investments				<u>\$ 210,916,348</u>	<u>\$ 211,538,215</u>

Investments of the Deferred Compensation Plan are stated at market value. All other investments are stated at cost.

The composition of deposits and investments of the balance sheet caption "Cash and Temporary Investments" is as follows:

Cash-In Transit	\$ 3,783,116
Carrying Amount of Deposits	166,917,127
Investments	<u>210,916,348</u>
Total Cash and Temporary Investments	<u>\$ 381,616,591</u>

For the year ended June 30, 1988, the capital fund and the special fund had overdrawn cash accounts of \$33,728,902 and \$8,247,525 respectively. The overdraft represents liabilities to other funds and not to a depository institution.

NOTE 5—RECEIVABLES:

A summary of Receivables by Fund Type is as follows:

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Total
	General	Special Revenue	Capital Projects			
Taxes:						
Meals and Rooms	\$ 6,916,357					\$ 6,916,357
Business Profits	3,797,650					3,797,650
Tobacco	2,631,947					2,631,947
Estate and Legacy	4,049,058					4,049,058
Real Estate Transfer	3,345,088					3,345,088
Gasoline Road Toll	6,000	\$ 7,999,861				8,005,861
Beer				\$ 1,202,666		1,202,666
Sub Total	20,746,100	7,999,861		1,202,666		29,948,627
Federal Grants	7,719,438	45,493,245	\$ 203,784			53,416,467
Other	9,826,934	11,786,207	1,323,270	3,115,706	\$ 6,673,612	32,725,729
Total	<u>\$ 38,292,472</u>	<u>\$ 65,279,313</u>	<u>\$ 1,527,054</u>	<u>\$ 4,318,372</u>	<u>\$ 6,673,612</u>	<u>\$ 116,090,823</u>

NOTE 6—FIXED ASSETS:*General Fixed Assets Account Group: (Unaudited)*

The following is a summary of changes in the general fixed assets account group during the fiscal year (amounts expressed in thousands):

	Balance July 1, 1987 (As Restated)	Additions	Deletions	Balance June 30, 1988
Land and Land Improvements	\$ 128,443	\$ 1,546		\$ 129,989
Buildings and Improvements	219,581	3,919	\$ 10	223,490
Equipment	87,230	13,854	5,037	96,047
Total	<u>\$ 435,254</u>	<u>\$ 19,319</u>	<u>\$ 5,047</u>	<u>\$ 449,526</u>

NOTE 7—LONG-TERM DEBT:*Bonds Authorized and Unissued:*

Bonds authorized and unissued amounted to \$482,713,358 at June 30, 1988. The proceeds of the bonds will be applied to the following funds when issued:

Highway Fund	\$ 34,344,118
Capital Projects Fund	165,769,240
Enterprise Fund—Turnpike System	282,600,000
	<u>\$ 482,713,358</u>

Turnpike System:

New Hampshire Revised Statutes Annotated, (RSA) Chapter 203 Laws of 1986 established a 10 year highway construction and reconstruction plan for the turnpike system to be funded from turnpike revenues such as tolls, rates, rents, fees, charges, receipts and other income derived or to be derived by the state from the operation of the turnpike system and all rights to receive the same, including grants, loans and other contributions from any governmental unit, investment earnings, and the proceeds of any borrowing or of any sale or disposition or insurance of any assets of the turnpike system. This legislation also authorized the Governor and Executive Council to sell up to \$500 million revenue bonds to support this project. The State issued \$100 million of revenue bonds on November 1, 1987.

These revenue bonds comply with IRS regulations necessary to retain their tax-exempt status. These regulations dictate that the accounting for these revenue bonds must be in a separate fund to demonstrate that the use of the bond proceeds are used expressly for the projects identified in the bond prospectus. New Hampshire responded by establishing a new enterprise fund (Turnpike System) during fiscal year 1987 to account for all turnpike related financial activities. The State has complied with all covenants and reserve requirements and will certify to such compliance as required with the registrar.

Advanced Refunding:

On May 15, 1986, the State defeased certain general obligation bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 1988, \$121.5 million of defeased bonds were still outstanding.

Changes in Long-Term Liabilities:

During the year ended June 30, 1988, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1	Additions	Reductions	Balance June 30
General Obligation Debt	\$ 299,875,050		\$ 25,890,300	\$ 273,984,750
Water Pollution Contracts	1,728,854		339,544	1,389,310
Compensated Absences	25,361,174	\$ 3,813,764		29,174,938
	<u>\$ 326,965,078</u>	<u>\$ 3,813,764</u>	<u>\$ 26,229,844</u>	<u>\$ 304,548,998</u>

NOTE 7—LONG-TERM DEBT: (Continued)

Debt Maturity:

All bonds, except for the \$100 million Turnpike revenue bonds discussed earlier in this note, issued by the State are general obligation bonds which are backed by the full faith and credit of the State. Interest rates on these issues range from 1.4% to 9.0%. The anticipated source of repayment and annual maturities are as follows (in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS								
	Principal	Interest	Total	GOVERNMENTAL FUNDS				ENTERPRISE	Total All Funds
				General Fund	Highway Fund	U.N.H. Self Liquidating	Total	Turnpike System	
1989	\$ 29,320	\$ 31,593	\$ 60,913	\$ 17,789	\$ 5,506	\$ 1,705	\$ 25,000	\$ 4,320	\$ 29,320
1990	29,015	29,630	59,445	17,693	5,504	1,624	24,821	4,994	29,815
1991	29,975	27,678	57,653	17,714	5,501	1,617	24,832	5,143	29,975
1992	26,620	25,825	52,445	16,220	4,179	1,106	21,505	5,115	26,620
1993	26,535	24,116	50,651	16,087	4,159	1,114	21,360	5,175	26,535
1994	26,435	22,385	48,820	15,977	4,140	1,078	21,195	5,240	26,435
1995	24,445	20,684	45,129	15,077	2,829	1,116	19,022	5,423	24,445
1996	23,040	19,041	42,081	14,244	2,177	1,114	17,535	5,505	23,040
1997	21,850	17,496	39,346	14,977	162	1,111	16,250	5,600	21,850
1998	20,400	15,999	36,399	13,687	159	853	14,699	5,701	20,400
1999	19,250	14,548	33,798	12,376	157	900	13,433	5,817	19,250
2000	18,190	13,137	31,327	11,194	155	897	12,246	5,944	18,190
2001	17,985	11,774	29,759	10,858	152	894	11,904	6,081	17,985
2002	14,410	10,423	24,833	7,512	149	545	8,206	6,204	14,410
2003	14,525	9,340	23,865	7,450	146	560	8,156	6,369	14,525
2004	12,840	8,315	21,155	5,690	46	560	6,296	6,544	12,840
2005	11,110	7,391	18,501	4,225		360	4,585	6,525	11,110
2006	9,360	6,590	15,950	2,250		360	2,610	6,750	9,360
2007	6,240	5,917	12,157			240	240	6,000	6,240
2008	5,255	5,453	10,708			90	90	5,165	5,255
2009	5,455	5,026	10,481					5,455	5,455
2010	4,965	4,575	9,540					4,965	4,965
2011	5,320	4,143	9,463					5,320	5,320
2012	5,150	3,680	8,830					5,150	5,150
2013	5,590	3,231	8,821					5,590	5,590
2014	6,050	2,743	8,793					6,050	6,050
2015	6,565	2,215	8,780					6,565	6,565
2016	7,110	1,642	8,752					7,110	7,110
2017	7,705	1,022	8,727					7,705	7,705
2018	8,350	350	8,700					8,350	8,350
	<u>\$ 449,860</u>	<u>\$ 355,962</u>	<u>\$ 805,822</u>	<u>221,020</u>	<u>35,121</u>	<u>17,844</u>	<u>273,985</u>	<u>175,875</u>	<u>449,860</u>
Amount to be provided by U.N.H. for retirement of bonds						(17,844)	(17,844)		(17,844)
Less Bond Discount on Turnpike Revenue Bonds								(671)	(671)
Amount to be provided for retirement of debt				<u>\$ 221,020</u>	<u>\$ 35,121</u>	<u>\$ -0-</u>	<u>\$ 256,141</u>	<u>\$ 175,204</u>	<u>\$ 431,345</u>

Turnpike System principal debt service includes general obligation principal debt service of \$75.2 million, serial revenue bond principal debt service of \$24.2 million and term revenue bond principal debt service of \$75.8 million. Actual principal paid to bond holders from the bond registrar is different from the above debt service schedule the State Treasurer is required to pay to the bond registrar because a portion of the Turnpike System revenue bonds, 1987 series is composed of term bonds versus serial bonds. For term bonds, the State Treasurer is required to pay the bond registrar the annual principal debt service, but the bond registrar is not required to pay principal to the bond holders until the single date of maturity.

NOTE 8— EMPLOYEE BENEFIT PLANS:

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description

The State participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the State. Also covered are permanent firefighters and police officers, public school teachers or administrators, and other full-time employees of a political subdivision if their governing body has elected to participate. The Plan qualifies as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. New Hampshire Revised Statutes Annotated (RSA), Chapter 100A establishes the Plan and authorizes the Board of Trustees to establish the contribution requirements. The Plan, which is a cost sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two groups. Group 1 consists of employees and teachers. Group 2 consists of firefighters and police officers.

Group 1—After reaching the age of 60, members qualify to receive a retirement allowance. From ages 60 through 64, the yearly pension amount is 1/60 (1.667%) of Average Final Compensation (AFC) multiplied by years of creditable service. AFC is defined as the average of the three highest-paid years. At age 65, the yearly pension amount is reduced by a .83% offset based on earnings up to the annual covered earnings level of social security. Members with 10 or more years of creditable service who terminate employment before qualifying for a retirement allowance, are entitled to a pro-rated pension at the normal retirement age of 60 (or as early as age 50 with an appropriate actuarial reduction). Members who have not accumulated 10 years creditable service but have attained age 54 at termination, are effectively vested and entitled to a retirement allowance at age 60.

Group 2—After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC.

The State's current year covered payroll was \$209 million and the State's total payroll was \$234 million. The amount of current-year payroll and number of employees covered by the PERS to which the State contributes on behalf of other employers are \$407 million and 15,166 respectively.

Contributions Required and Made

The Plan is financed by contributions from the member, the State and local employers, and investment experience. In fiscal year 1988, by Statute, Group 1 members contribute 4.6% of gross earnings up to the social security taxable wage limit with 9.0% on the excess. Group 2 members contribute 9.3% of gross earnings. Contributions required to cover that amount of cost not met by the members' contributions are determined annually by the System's actuary and are expressed as a percentage of gross payroll. The State funds 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

The following table shows the percentages of gross payroll contributed and the amounts contributed by the State, other participating employers, and employees.

Type of Employee	PERCENT OF COVERED PAYROLL			AMOUNT CONTRIBUTED		
	(FY 1988 rates)			(in thousands)		
	Employee Share	State's Share	Direct Employer's Share	Employee Share	State's Share	Direct Employer's Share
State and Other Employees	4.60%	2.74%	2.74%	\$ 15,213	\$ 6,109	\$ 4,451
Teachers	4.60%	0.23%	0.42%	14,744	858	2,255
Firefighters	9.30%	4.90%	9.09%	3,071	1,909	3,031
Police Officers*	9.30%	2.48%	4.59%	6,605	3,962	2,558
Total Contributed				\$ 39,633	\$ 12,838	\$ 12,295

* Approximately 25% of the police officers are state employees.

NOTE 8—EMPLOYEE BENEFIT PLANS: (Continued)

Funding Status

The amount of the total pension benefit obligation is based on a standardized measurement established by the GASB Statement 5, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

The Plan's total unfunded pension benefit obligation and net assets available for pension benefits as of June 30, 1988 are as follows (in millions) (the State and other participant portions are not determinable):

Total pension benefit obligation	\$ 870.6
Net asset available for pension benefits, at market	<u>1,054.5</u>
Assets in excess of pension benefit obligation	<u>\$ 183.9</u>

The measurement of the total pension benefit obligation is based on the June 30, 1988 forecast valuation, updated by the June 30, 1987 actuarial valuation. Net assets available to pay pension benefits were valued as of June 30, 1988. Chapter 191, Laws of 1988 (Elimination of the social security offset for group I members) and Chapter 193, Laws of 1988 (Cola increases relative to death benefits and improved health care benefits for Group II members) will become effective July 1, 1988. In the opinion of the actuary, the new legislation will increase the pension benefit obligation to approximately \$920 million.

The State's fiscal year 1988 required contribution to the Plan represents 51% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

The New Hampshire Retirement System began compiling historical trend information in their 1987 Comprehensive Annual Financial Report. Only 1987 data was included in the report since this was the only year the information was available. The information will eventually include 10 years of data and will be useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Related Party Investments

During 1988 and as of June 30, 1988, the Plan held no securities issued by the State or other related parties.

DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the Plan and does not have a duty with regard to the investment decisions made by the individual employees who possess an expectancy in receiving funds equivalent to the balance in their specific plan accounts. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The assets of the Plan, which are primarily invested in fixed and variable rate annuity contracts with insurance companies, totalled \$27,958,934 at June 30, 1988.

NOTE 8—EMPLOYEE BENEFIT PLANS: (Continued)**HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES**

In addition to providing pension benefits, the State provides certain health care insurance benefits for retired employees. Substantially all of the State's employees may become eligible for those benefits if they reach normal retirement age while working for the State and receive their pension on a periodic basis rather than a lump sum. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The State recognizes the cost of providing those benefits by paying the annual insurance premiums, which was approximately \$2.3 million for State retirees receiving a periodic pension benefit for the fiscal year ended June 30, 1988.

NOTE 9—CONTINGENT AND LIMITED LIABILITIES:*Bonds and First Mortgages:*

The State of New Hampshire is contingently liable for bonds sold by municipalities, school districts and for first mortgages on industrial and recreational property which contain the guarantee of the State of New Hampshire and amount to \$180,501,545. The following table shows the composition of contingent and limited liabilities as of June 30, 1988.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Pollution Control, RSA 149-5 (Supplement) (Legal Limit \$225,000,000)	\$ 86,768,854	\$ 45,946,114	\$ 132,714,968
N.H. School Building Authority RSA 195-C:2 (Supplement) (Legal Limit \$75,000,000)	32,326,739	15,217,952	47,544,691
Water Resources Council RSA 481:19 (Legal Limit \$5,000,000)	175,000	33,700	208,700
Industrial Development Authority RSA 162— A:14-a (Legal Limit \$20,000,000)	33,186		33,186
Total	<u>\$ 119,303,779</u>	<u>\$ 61,197,766</u>	<u>\$ 180,501,545</u>

The State of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the State and no such appropriations have ever been requested.

Federal Grants:

The State receives federal grants which are subject to review and audit by the grantor agencies. Although these audits could result in expenditure disallowances under the terms of the grants, it is believed that required reimbursements would not have a material effect on the financial statements.

NOTE 10—LITIGATION:

The State, its agencies and employees are defendants in numerous lawsuits involving such matters as funding for social welfare programs, contract claims and negligence. Although the Attorney General is unable to predict the ultimate outcome of the majority of these suits which seek approximately \$61 million, in the opinion of the Attorney General and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the State which would materially affect its financial position is remote. Accordingly, no provision for the ultimate liability, if any, has been made in the financial statements.

NOTE 11—GOVERNMENTAL FUND UNDESIGNATED DEFICITS:*Highway Fund:*

The State's Highway Fund undesignated deficit was \$7 million at June 30, 1988 compared to \$22.0 million at June 30, 1987. These deficits are due to two situations; first, project expenditures are recorded as incurred, and the proceeds of bonds to finance these expenditures are recorded when received which is normally after the project has been completed. Second, deficits exist because the Reserve for Encumbrances, \$53.4 million and \$66.6 million as of June 30, 1988 and June 30, 1987 respectively, has been charged to the Undesignated Fund Balance. Federal reimbursements on these encumbered contracts are not credited to Undesignated Fund Balance until the expenditures are incurred.

Capital Projects Fund:

The State's Capital Projects Fund undesignated deficit was \$86.0 million at June 30, 1988 compared to an undesignated deficit of \$28.2 million at June 30, 1987. These deficits exist because project expenditures are recorded as incurred, and the proceeds of bonds to finance these expenditures are recorded when received, which is normally after the project has been completed.

Special Fund:

The State's Special Fund undesignated deficits were \$4.6 million and \$8.7 million at June 30, 1988 and June 30, 1987 respectively. These deficits exist because the Reserve for Encumbrances, \$10.6 million and \$11.0 million as of June 30, 1988 and June 30, 1987 respectively, has been charged to the Undesignated Fund Balance. Federal reimbursements on these encumbered contracts are not credited to Undesignated Fund Balance until the expenditures are incurred. As of June 30, 1988 and June 30, 1987, the obligated federal reimbursement on the Reserve for Encumbrances amounted to approximately \$9.3 million and \$10.0 million respectively.

NOTE 12—SEGMENT INFORMATION:

Segment financial information for the State's Enterprise Funds for the year ended June 30, 1988 is presented below.

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Operating Revenues (Net of Cost of Goods Sold for Liquor Commission)	\$ 29,690,994	\$ 48,390,107	\$ 33,358,321	\$ 111,439,422
Depreciation Expense	4,264,039	858,079	67,730	5,189,848
Operating Income	8,602,276	31,243,090	25,275,173	65,120,539
Operating Interfund Transfers (Out)		(45,968,836)	(27,978,285)	(73,947,121)
Tax Revenue		11,382,687		11,382,687
Increase in Retained Earnings	10,850,818			10,850,818
Fixed Assets Additions	29,926,475	590,338	97,492	30,614,305
Net Working Capital (Deficit)	6,804,516		(134,183)	6,670,333
Total Assets	283,141,674	32,409,365	47,964,453	363,515,492
Long-Term Liabilities	175,203,649			175,203,649
Total Fund Equity	103,962,083	8,489,347		112,451,430

NOTE 13—INTERFUND RECEIVABLES AND PAYABLES:

Due From/To Other Funds consist of the following at June 30, 1988:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Liquor Commission	\$ 10,807,372
	Sweepstakes Commission	<u>44,128,367</u>
		54,935,739
Special	General	2,607,353
Trust and Agency	General	<u>250,623</u>
Total		<u>\$ 57,793,715</u>

NOTE 14—CONTRIBUTED CAPITAL:

For the year ended June 30, 1988, the State has recorded the costs associated with projects of the Turnpike System where the Federal government or other non-Turnpike System sources have provided funding. To the extent the Federal government or other non-Turnpike System funds have been provided for such projects, this amount has been recorded as an increase in fixed assets (i.e. land, infrastructure, construction in progress. . .) and as contributed capital under fund equity on the Turnpike System balance sheet. In accordance with GAAP, the treatment of the costs of such projects that are funded by the Federal government or other non-Turnpike System sources will not have an impact on the Retained Earnings of the Turnpike System.

Contributed capital and the corresponding fixed asset accounts for the Turnpike System have been restated at June 30, 1987. The following schedule shows the source of the restatement and the increase during fiscal year 1988.

Balance at June 30, 1987 as Previously Reported	\$ - 0 -
Restatement of Prior Year Contributed Capital:	
Federal Government	46,065,737
Highway Fund	<u>14,942,643</u>
Contributed Capital	61,008,380
Less: Amortization of Contributed Capital	<u>(13,031,472)</u>
Net Contributed Capital at June 30, 1987 as Restated	47,976,908
Increases in Fiscal Year 1988:	
Federal Government	3,887,382
Highway Fund	875,054
Less: Amortization of Contributed Capital	<u>(1,134,010)</u>
Net Contributed Capital at June 30, 1988	<u>\$ 51,605,334</u>

NOTE 15—SUBSEQUENT EVENTS:

In December 1988, the State of New Hampshire issued \$85,000,000 general obligation bonds dated December 1, 1988 to finance capital projects including court facilities improvements, state prison expansion, University of New Hampshire System improvements, regional vocational center improvements, Legislative Office Building repairs, and other miscellaneous capital projects. The bonds' effective interest rate was 6.897% and they mature December, 1989 through December, 2008.

COMBINING FINANCIAL STATEMENTS AND SCHEDULE

**STATE OF NEW HAMPSHIRE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1988**

<u>ASSETS</u>	<u>Highway Fund</u>	<u>Fish and Game Fund</u>	<u>Special Fund</u>	<u>Total</u>
Cash and Temporary Investments	\$ 48,176,775	\$ 3,108,792	\$(8,247,525)	\$ 43,038,042
Receivables (Net of Allowance for Uncollectibles)	28,653,763	926,639	35,698,911	65,279,313
Due from Other Funds			2,607,353	2,607,353
Inventories	1,316,385	59,306		1,375,691
Total Assets	\$ 78,146,923	\$ 4,094,737	\$ 30,058,739	\$ 112,300,399
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts Payable	\$ 11,949,659	\$ 304,658	\$ 21,172,230	\$ 33,426,547
Accrued Payroll	3,018,701	320,479	2,631,553	5,970,733
Deferred Revenue	9,080,712		195,825	9,276,537
Total Liabilities	24,049,072	625,137	23,999,608	48,673,817
FUND BALANCES:				
Reserve for Encumbrances	53,453,568	559,443	10,625,597	64,638,608
Reserve for Inventories	1,316,385	59,306		1,375,691
Designated - Other		1,789,910		1,789,910
Undesignated (Deficit) Surplus	(672,102)	1,060,941	(4,566,466)	(4,177,627)
Total Fund Balances	54,097,851	3,469,600	6,059,131	63,626,582
Total Liabilities and Fund Balances	\$ 78,146,923	\$ 4,094,737	\$ 30,058,739	\$ 112,300,399

*High on the face of Cannon Mountain
in Franconia Notch State Park, a
maintenance crew leaves their
helicopter in preparation for the annual
"facelift" of New Hampshire's state
symbol, The Old Man in the Mountain.*



STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	Highway Fund	Fish and Game Fund	Special Fund	Total
REVENUES:				
General Property Taxes			\$ 179,516	\$ 179,516
Business License Taxes	\$ 84,599,643			84,599,643
Non-Business License Taxes	39,091,820	\$ 5,225,435		44,317,255
Fees	7,745,888	89,956	141,190	7,977,034
Fines, Penalties and Interest	923,113	69,981	363,779	1,356,873
Grants from Federal Government	65,613,568	1,862,510	179,325,167	246,801,245
Grants from Private and Local Sources	5,271,946	134,008	27,878,800	33,284,754
Interest, Premiums and Discounts	904,200	130,915	223,691	1,258,806
Sale of Commodities	42,405	33,054	6,619	82,078
Sale of Services	6,913,817			6,913,817
Assessments			1,522,020	1,522,020
Grants from Other Agencies	140,533	449,171	4,996,312	5,586,016
Miscellaneous	4,144,673	1,045,238	1,846,298	7,036,209
Total Revenues	215,391,606	9,040,268	216,483,392	440,915,266
EXPENDITURES:				
General Government			15,829,052	15,829,052
Administration of Justice and Public Protection	871,006		12,593,779	13,464,785
Resource Protection and Development		8,238,060	5,242,367	13,480,427
Transportation	127,856,975			127,856,975
Health and Social Services			215,045,079	215,045,079
Education			41,316,917	41,316,917
Debt Service	9,110,847		56,000	9,166,847
Capital Outlays	73,580,085	423,611	776,983	74,780,679
Total Expenditures	211,418,913	8,661,671	290,860,177	510,940,761
Revenues Over (Under) Expenditures	3,972,693	378,597	(74,376,785)	(70,025,495)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,306	233,717	81,058,370	81,293,393
Operating Transfers Out	(467,434)		(2,900,911)	(3,368,345)
Miscellaneous	4,565,158			4,565,158
Other Financing Sources (Uses)	4,099,030	233,717	78,157,459	82,490,206
Revenues and Other Sources Over Expenditures and Other Uses	8,071,723	612,314	3,780,674	12,464,711
Fund Balances—July 1	46,026,128	2,857,286	2,278,457	51,161,871
Fund Balances—June 30	\$ 54,097,851	\$ 3,469,600	\$ 6,059,131	\$ 63,626,582

**STATE OF NEW HAMPSHIRE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1988**

ASSETS	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Cash and Temporary Investments	\$ 9,910,968	\$ 1,992,632	\$ 46,105,380	\$ 58,008,980
Receivables (Net of Allowance for Uncollectibles)	869,490	1,970,107	1,478,775	4,318,372
Inventories		19,957,279	218,921	20,176,200
Prepaid Expenses			27,194	27,194
Restricted Assets	75,554,268			75,554,268
Deferred Charges	1,839,233			1,839,233
Land	22,656,472	1,298,573		23,955,045
Land Improvements		534,398		534,398
Buildings	2,525,725	6,734,861		9,260,586
Building Improvements		846,217		846,217
Equipment	2,782,150	5,773,818	318,265	8,874,233
Construction in Progress	14,314,809			14,314,809
Infrastructure	209,797,287			209,797,287
Less: Allowance for Depreciation and Amortization	(57,108,728)	(6,698,520)	(184,082)	(63,991,330)
Total Assets	\$ 283,141,674	\$ 32,409,365	\$ 47,964,453	\$ 363,515,492
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 1,692,367	\$ 9,676,657	\$ 940,507	\$ 12,309,531
Accrued Payroll	333,789	831,305	101,069	1,266,163
Due to Other Funds		10,807,372	44,128,367	54,935,739
Deferred Revenue		1,177,792	1,043,476	2,221,268
Other Liabilities			1,588,665	1,588,665
Accrued Interest Payable	1,339,901			1,339,901
Bonds Payable	175,203,649			175,203,649
Compensated Absences Payable	609,885	1,426,892	162,369	2,199,146
Total Liabilities	179,179,591	23,920,018	47,964,453	251,064,062
FUND EQUITY:				
Contributions from Other Funds		8,489,347		8,489,347
Contributed Capital, Net of Amortization	51,605,334			51,605,334
Retained Earnings	52,356,749			52,356,749
Total Fund Equity	103,962,083	8,489,347		112,451,430
Total Liabilities and Fund Equity	\$ 283,141,674	\$ 32,409,365	\$ 47,964,453	\$ 363,515,492

After equipment has been airlifted to the top of the Old Man's head, the climbing gear for the descent onto the face is readied by the crew.



STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS—ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Revenues:				
Sales		\$ 171,570,179	\$ 74,289,190	\$ 245,859,369
Tolls	\$ 29,690,994			29,690,994
Total Revenues	29,690,994	171,570,179	74,289,190	275,550,363
Prizes			40,930,869	40,930,869
Cost of Goods Sold		123,180,072		123,180,072
Gross Profit	29,690,994	48,390,107	33,358,321	111,439,422
Operating Expenses:				
Personnel Services	5,409,216	9,972,794	1,470,110	16,852,120
Supplies and Materials	665,271	354,851	20,245	1,040,367
Communications	26,467	259,335	104,899	390,701
Travel	25,657	101,068	38,033	164,758
Printing and Binding	5,552	108,636	688,730	802,918
Advertising	4,239	277,558	779,805	1,061,602
Commissions			3,986,298	3,986,298
Heat, Light and Power	466,704	446,687		913,391
Rent	725,198	1,272,105	166,333	2,163,636
Repairs and Alterations	849,271	498,156		1,347,427
Payroll Benefits	806,416	2,028,427	337,506	3,172,349
Interest and Debt Costs	5,847,006			5,847,006
Indirect Costs	481,660			481,660
Capital Outlays		15,251		15,251
Depreciation	4,264,039	858,079	67,730	5,189,848
Enforcement	989,781		130,233	1,120,014
Loss on Disposals	39,552			39,552
Amortization of Deferred Charges	39,259			39,259
Miscellaneous	443,430	954,070	293,226	1,690,726
Total Operating Expenses	21,088,718	17,147,017	8,083,148	46,318,883
Operating Income	8,602,276	31,243,090	25,275,173	65,120,539
Other Income:				
Licenses		2,069,546		2,069,546
Beer Taxes		11,382,687		11,382,687
Interest on Temporary Investments	1,114,532			1,114,532
Miscellaneous		415,434	2,703,112	3,118,546
Total Other Income	1,114,532	13,867,667	2,703,112	17,685,311
Income Before Operating Transfers	9,716,808	45,110,757	27,978,285	82,805,850
Operating Transfers:				
To General Fund		45,968,836	27,978,285	73,947,121
Reimbursement from General Fund		(858,079)		(858,079)
Net Operating Transfers		45,110,757	27,978,285	73,089,042
Net Income	9,716,808	- 0 -	- 0 -	9,716,808
Add: Depreciation on Fixed Assets				
Acquired by Grants and Entitlements				
Externally Restricted for Capital				
Acquisitions and Construction that				
Reduces Contributed Capital	1,134,010			1,134,010
Increase in Retained Earnings	10,850,818	- 0 -	- 0 -	10,850,818
Retained Earnings—July 1	41,505,931	- 0 -	- 0 -	41,505,931
Retained Earnings—June 30	\$ 52,356,749	\$ - 0 -	\$ - 0 -	\$ 52,356,749

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
<u>SOURCE OF FUNDS</u>				
OPERATIONS				
Income Before Operating Transfers	\$ 9,716,808	\$ 45,110,757	\$ 27,978,285	\$ 82,805,850
Items Not Requiring the Use of Working Capital:				
Depreciation	4,264,039	858,079	67,730	5,189,848
Amortization	45,133			45,133
Loss on Disposals	39,552		198	39,750
Total Financial Resources from Operations	14,065,532	45,968,836	28,046,213	88,080,581
Increase in Bonds Payable—Revenue Bonds	100,000,000			100,000,000
Less: Bond Discount	677,475			677,475
Net Increase in Bonds Payable—Revenue Bonds	99,322,525			99,322,525
Contributed Capital	4,762,436			4,762,436
Operating Transfer from Other Funds		590,338		590,338
Total Source of Funds	\$ 118,150,493	\$ 46,559,174	\$ 28,046,213	\$ 192,755,880
<u>USE OF FUNDS</u>				
Additions to Fixed Assets	\$ 29,926,475	\$ 590,338	\$ 97,492	\$ 30,614,305
Decrease in Bonds Payable	3,404,700			3,404,700
Increase in Restricted Assets	75,554,268			75,554,268
Deferred Charges	1,878,492			1,878,492
Operating Transfers to General Fund		45,968,836		45,968,836
Operating Transfer to General Fund (Educ.)			27,978,285	27,978,285
Increase (Decrease) in Working Capital	7,386,558		(29,564)	7,356,994
Total Use of Funds	\$ 118,150,493	\$ 46,559,174	\$ 28,046,213	\$ 192,755,880
<u>CHANGES IN COMPONENTS OF WORKING CAPITAL</u>				
Current Assets:				
Cash and Temporary Investments	\$ (6,805,491)	\$ 445,175	\$ 23,533,576	\$ 17,173,260
Receivables	617,743	298,065	496,165	1,411,973
Inventories		901,517	28,078	929,595
Prepaid Expenses			(18,364)	(18,364)
Total Current Assets	(6,187,748)	1,644,757	24,039,455	19,496,464
Current Liabilities:				
Accounts Payable and Accruals	(1,585,789)	336,142	(610,043)	(1,859,690)
Due to Other Funds	16,499,996	(1,980,899)	(23,458,976)	(8,939,879)
Accrued Interest Payable	(1,339,901)			(1,339,901)
Total Current Liabilities	13,574,306	(1,644,757)	(24,069,019)	(12,139,470)
Increase (Decrease) in Working Capital	\$ 7,386,558	\$ - 0 -	\$ (29,564)	\$ 7,356,994

**STATE OF NEW HAMPSHIRE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1988**

	Expendable Trust Fund Unemployment Compensation	Non Expendable Trust Funds	Agency Funds	Total
ASSETS				
Cash and Temporary Investments	\$ 178,099,730	\$ 3,389,529	\$ 36,992,911	\$ 218,482,170
Accounts Receivable	6,673,612			6,673,612
Due from Other Funds		250,623		250,623
Total Assets	\$ 184,773,342	\$ 3,640,152	\$ 36,992,911	\$ 225,406,405
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Payment Due Other Jurisdictions/ Overpayment	\$ 2,114,587			\$ 2,114,587
Reserve-Member/ Employee Contribution			\$ 114,049	114,049
Due to Other Taxing Units			36,878,862	36,878,862
Custodial Funds Payable				
Total Liabilities	2,114,587		36,992,911	39,107,498
FUND BALANCES:				
Reserve for Unemployment Compensation Benefits	182,658,755			182,658,755
Reserve for Various Trust Funds		\$ 3,640,152		3,640,152
Total Fund Balances	182,658,755	3,640,152		186,298,907
Total Liabilities and Fund Balances ...	\$ 184,773,342	\$ 3,640,152	\$ 36,992,911	\$ 225,406,405



Niels Nielsen steps over the edge to start work on the Old Man's face. Nielsen first worked on the Old Man as an employee of the Department of Highways in 1960. In 1987 he was appointed official caretaker by Governor John Sununu.

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 1988

	Balance July 1, 1987	Additions	Deductions	Balance June 30, 1988
<u>PAYROLL TAXES AND FRINGE BENEFITS</u>				
ASSETS				
Cash	\$ 974,426	\$ 72,815,060	\$ 73,675,437	\$ 114,049
LIABILITIES				
Reserve for Member/Employee Contributions	\$ 738,778	\$ 11,650,865	\$ 12,389,643	
Due to Other Taxing Units	235,648	56,342,467	56,464,066	\$ 114,049
Custodial Funds Payable		4,821,728	4,821,728	
Total Liabilities	\$ 974,426	\$ 72,815,060	\$ 73,675,437	\$ 114,049
<u>DEFERRED COMPENSATION</u>				
ASSETS				
Cash	\$ 21,870,640	\$ 7,487,642	\$ 1,399,348	\$ 27,958,934
LIABILITIES				
Custodial Funds Payable	\$ 21,870,640	\$ 7,487,642	\$ 1,399,348	\$ 27,958,934
<u>UNIFIED COURT SYSTEM</u>				
ASSETS				
Cash	\$ 8,022,598	\$ 17,241,494	\$ 17,684,494	\$ 7,579,598
LIABILITIES				
Custodial Funds Payable	\$ 8,022,598	\$ 17,241,494	\$ 17,684,494	\$ 7,579,598
<u>CHILD SUPPORT FUND</u>				
ASSETS				
Cash	\$ 719,412	\$ 22,584,003	\$ 22,836,780	\$ 466,635
LIABILITIES				
Custodial Funds Payable	\$ 719,412	\$ 22,584,003	\$ 22,836,780	\$ 466,635
<u>MISCELLANEOUS AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 1,110,012	\$ 100,566	\$ 336,883	\$ 873,695
LIABILITIES				
Custodial Funds Payable	\$ 1,110,012	\$ 100,566	\$ 336,883	\$ 873,695
<u>TOTALS--ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 32,697,088	\$ 120,228,765	\$ 115,932,942	\$ 36,992,911
LIABILITIES				
Reserve for Member/Employee Contributions	\$ 738,778	\$ 11,650,865	\$ 12,389,643	
Due to Other Taxing Units	235,648	56,342,467	56,464,066	\$ 114,049
Custodial Funds Payable	31,722,662	52,235,433	47,079,233	36,878,862
Total Liabilities	\$ 32,697,088	\$ 120,228,765	\$ 115,932,942	\$ 36,992,911

**STATE OF NEW HAMPSHIRE
TRANSFERS SUMMARY
JUNE 30, 1988**

	Transfers In						
	Special Revenue Funds					Capital Projects Funds	Combined Totals
	General Fund	Highway	Fish and Game	Special	Total		
Transfers Out:							
General Fund		\$ 1,306		\$ 81,058,370	\$ 81,059,676	\$ 908,127	\$ 81,967,803
Special Revenue Funds:							
Highway	\$ 233,717		\$ 233,717		233,717		467,434
Special	2,900,911						2,900,911
Total Special Revenue	3,134,628		233,717		233,717		3,368,345
Capital Projects Fund	334,827						334,827
Enterprise Funds:							
Liquor	45,968,836						45,968,836
Sweepstakes	27,978,285						27,978,285
Total Enterprise	73,947,121						73,947,121
Combined Totals	<u>\$ 77,416,576</u>	<u>\$ 1,306</u>	<u>\$ 233,717</u>	<u>\$ 81,058,370</u>	<u>\$ 81,293,393</u>	<u>\$ 908,127</u>	<u>\$ 159,618,096</u>

STATISTICAL SECTION

STATE OF NEW HAMPSHIRE
TABLE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES—FOR THE LAST FIVE FISCAL YEARS

	Fiscal Year Ended June 30,				
	1988	1987	1986	1985	1984
REVENUES:					
General Property Taxes	\$ 9,865,090	\$ 8,519,212	\$ 10,357,446	\$ 10,271,189	\$ 15,727,835
Special Taxes	312,016,622	323,464,716	260,175,837	247,875,204	225,352,707
Poll or Personal Taxes	31,695,356	31,674,458	32,731,033	32,723,606	33,580,958
Business License Taxes	134,642,493	123,293,814	112,672,668	99,159,877	92,383,698
Non-Business License Taxes	47,968,298	45,261,418	42,124,605	39,314,080	36,496,914
Fees	35,337,121	29,142,866	26,775,795	21,943,493	18,757,990
Fines, Penalties and Interest	24,941,681	20,586,061	17,790,700	14,873,483	9,560,143
Grants from Federal Government	307,566,054	292,644,988	299,061,996	294,750,219	256,722,943
Grants from Private and Local Sources ..	44,779,146	38,204,063	28,096,236	26,447,325	28,485,808
Rents and Leases	3,332,327	3,138,236	3,048,457	3,432,010	2,827,331
Interest, Premiums and Discounts	6,849,618	6,047,431	5,539,873	3,879,517	3,623,055
Sale of Commodities	8,187,287	7,406,229	5,327,834	3,565,423	4,117,529
Sale of Services	35,700,240	31,749,904	32,099,975	30,058,859	27,060,603
Assessments	9,775,326	10,021,606	30,188,306	25,725,897	23,178,700
Grants from Other Agencies	44,584,891	46,592,435	42,181,987	27,081,865	22,546,907
Miscellaneous	27,216,219	22,688,104	17,592,113	20,405,450	22,255,151
Total Revenues	1,084,457,769	1,040,435,541	965,764,861	901,507,497	822,678,272
EXPENDITURES:					
General Government	146,866,340	139,285,649	133,421,425	129,597,342	117,590,336
Administration of Justice and Public Protection	115,802,809	102,545,456	115,417,562	97,846,854	70,336,429
Resource Protection and Development ..	59,895,263	47,647,851	44,350,378	42,370,937	41,190,099
Transportation	135,874,083	129,000,137	124,858,977	120,232,786	108,966,963
Health and Social Services	408,044,281	366,837,874	311,547,918	288,410,094	272,854,032
Education	193,466,984	150,187,646	137,969,660	118,495,417	118,252,243
Debt Service	46,786,007	49,041,828	56,423,540	51,602,563	50,581,179
Capital Outlays	88,506,404	82,899,433	88,314,768	85,944,652	62,771,124
Total Expenditures	1,195,242,171	1,067,445,874	1,012,304,228	934,500,645	842,542,405
Excess of Revenue Over (Under) Expenditures	(110,784,402)	(27,010,333)	(46,539,367)	(32,993,148)	(19,864,133)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	85,670,975	84,148,139	70,664,440	73,139,581	67,073,729
Operating Transfers Out	(85,670,975)	(84,148,139)	(70,664,440)	(73,139,581)	(67,073,729)
Enterprise Fund Transfers In	73,947,121	66,796,257	55,018,209	45,891,256	45,572,815
Proceeds from Issuance of Bonds			60,000,000	54,000,000	52,000,000
Miscellaneous	4,765,344	(4,201,865)	(1,961,721)	502,586	(382,281)
Proceeds of Refunding Bonds			154,525,000		
Payment to Refunding Bond Escrow Agent			(154,525,000)		
Total Other Financing Sources (Uses)	78,712,465	62,594,392	113,056,488	100,393,842	97,190,534
Excess of Revenues and Other Sources (Over) Under Expenditures and Other Uses Before Debt Service Sinking Funds Transfer	(32,071,937)	35,584,059	66,517,121	67,400,694	77,326,401
Adjustment to Transfer Debt Service Sinking Funds to Enterprise Fund		(8,401,928)			
Excess of Revenues and Other Sources (Over) Under Expenditures and Other Uses ...	(32,071,937)	27,182,131	66,517,121	67,400,694	77,326,401
FUND BALANCES—JULY 1	187,342,238	160,160,107	93,642,986	26,242,292	(51,084,109)
FUND BALANCES—JUNE 30	\$ 155,270,301	\$ 187,342,238	\$ 160,160,107	\$ 93,642,986	\$ 26,242,292

**STATE OF NEW HAMPSHIRE
TABLE OF REVENUES AND BOND PROCEEDS
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE FISCAL YEARS**

Fiscal Year Ended June 30,

	1988	1987	1986	1985	1984
General Property Taxes	\$ 9,865,090	\$ 8,519,212	\$ 10,357,446	\$ 10,271,189	\$ 15,727,835
Special Taxes	312,016,622	323,464,716	260,175,837	247,875,204	225,352,707
Poll or Personal Taxes	31,695,356	31,674,458	32,731,033	32,723,606	33,580,958
Business License Taxes	134,642,493	123,293,814	112,672,668	99,159,877	92,383,698
Non-Business License Taxes	47,968,298	45,261,418	42,124,605	39,314,080	36,496,914
Fees	35,337,121	29,142,866	26,775,795	21,943,493	18,757,990
Fines, Penalties and Interest	24,941,681	20,586,061	17,790,700	14,873,483	9,560,143
Grants from Federal Government	307,566,054	292,644,988	299,061,996	294,750,219	256,722,943
Grants from Private and Local Sources	44,779,146	38,204,063	28,096,236	26,447,325	28,485,808
Rents and Leases	3,332,327	3,138,236	3,048,457	3,432,010	2,827,331
Interest, Premiums and Discounts	6,849,618	6,047,431	5,539,873	3,879,517	3,623,055
Sale of Commodities	8,187,287	7,406,229	5,327,834	3,565,423	4,117,529
Sale of Services	35,700,240	31,749,904	32,099,975	30,058,859	27,060,603
Assessments	9,775,326	10,021,606	30,188,306	25,725,897	23,178,700
Grants from Other Agencies	44,584,891	46,592,435	42,181,987	27,081,865	22,546,907
Miscellaneous	27,216,219	22,688,104	17,592,113	20,405,450	22,255,151
Sub Total	1,084,457,769	1,040,435,541	965,764,861	901,507,497	822,678,272
Bonds Issued			60,000,000	54,000,000	52,000,000
Bond Refinancing: Original Issue			(150,350,000)		
New Issue			154,525,000		
Total Receipts	\$ 1,084,457,769	\$ 1,040,435,541	\$ 1,029,939,861	\$ 955,507,497	\$ 874,678,272

Protecting the Old Man in the Mountain from the elements requires teamwork. Each person over the edge requires a team of two on cables and ropes above. A typical crew will contain eight or nine people.



STATE OF NEW HAMPSHIRE
TABLE OF UNDESIGNATED FUND BALANCE
GENERAL FUND—FOR THE LAST FIVE FISCAL YEARS

	Fiscal Year Ended June 30,				
	1988	1987	1986	1985	1984
Balance, July 1 (Budgetary Method).....	\$ 61,660,155	\$ 66,328,994	\$ 47,760,121	\$ 1,332,709	\$(40,056,175)
Additions:					
Unrestricted Revenue:					
Beer	11,930,392	12,038,209	11,824,915	11,212,926	10,416,723
Board and Care	15,460,221	16,025,633	19,358,678	15,303,545	13,584,977
Business Profits Tax	136,773,108	150,007,729	111,520,524	111,056,553	101,935,006
Estate and Legacy Tax	22,920,900	18,920,920	15,794,882	10,607,329	11,827,459
Insurance	41,657,891	32,749,560	26,848,959	20,810,742	18,728,118
Liquor	49,915,376	48,639,199	46,653,144	42,972,745	43,421,925
Meals and Rooms	76,513,554	69,786,903	62,138,657	57,101,151	51,789,461
Other	55,028,649	54,252,867	49,278,112	40,687,785	35,216,339
Racing	10,307,276	9,418,926	9,748,709	9,512,013	7,740,427
Telephone	9,466,856	8,196,779	9,998,938	10,051,884	15,439,710
Tobacco	31,722,289	31,674,111	32,731,033	32,722,886	33,580,958
Utilities	7,074,358	6,426,930	6,399,506	6,739,401	6,081,385
Intangible Tax	30,659,298	26,732,026	24,919,749	24,496,387	22,651,176
Sweepstakes Revenue					
Savings Bank Tax	8,781,831	7,954,294	7,775,179	7,035,267	7,441,020
Real Estate Transfer Tax	34,567,831	44,768,177	33,026,235	30,283,391	22,484,173
Total Unrestricted Revenue	542,779,830	537,592,263	468,017,220	430,594,005	402,338,857
Reversal-Utilities Franchise Tax					5,742,000
Transfer from Other Funds	385,682	969,321		503,982	321,746
Bonds Authorized and Unissued					1,500,000
Other Credits	1,948,182	623,620	680,349	636,075	397,830
Total Additions	545,113,694	539,185,204	468,697,569	431,734,062	410,300,433
Deductions:					
Appropriations:					
General Government	134,377,606	145,813,104	121,666,693	115,746,315	120,262,893
Justice and Public Protection	61,524,757	47,355,017	60,792,744	41,669,305	29,849,618
Resource Protection and Development	36,308,019	26,402,789	24,976,851	20,697,436	20,146,436
Transportation	4,523,850	4,177,138	1,758,669	729,261	759,621
Health and Social Services	146,362,658	125,273,475	97,922,360	91,974,730	86,006,983
Education	95,603,156	77,902,927	75,662,460	52,988,596	51,011,083
Liquor Commission	18,020,945	15,885,799	15,094,735	13,598,974	13,234,695
Special Fund	82,578,248	72,598,223	63,847,992	67,569,283	60,380,889
Total Appropriations	579,299,239	515,408,472	461,722,504	404,973,900	381,652,218
Less: Lapses	(24,524,096)	(7,114,589)	(12,557,530)	(20,373,498)	(14,068,329)
Net Appropriations	554,775,143	508,293,883	449,164,974	384,600,402	367,583,889
Transfers to Other Funds	1,838,351			100,000	
Other Debits	482,626	2,044,415	963,722	606,248	1,327,660
Transfer to Reserve Accounts	(4,348,754)	33,515,745			
Total Deductions	552,747,366	543,854,043	450,128,696	385,306,650	368,911,549
Balance, June 30 (Budgetary Method)	54,026,483	61,660,155	66,328,994	47,760,121	1,332,709
GAAP Adjustments:					
Accounts Receivable	4,937,109	3,310,792	2,924,163	4,443,874	4,413,950
Accounts Payable and Accrued Expenses	(39,367,002)	(33,242,974)	(28,782,031)	(22,528,077)	(21,311,513)
Due to Trust Funds	(250,623)	(260,308)	(320,311)	(354,575)	(430,288)
Adjust Enterprise Transfer					
to General Fund	(3,587,417)	(3,629,850)	(3,603,610)	(3,738,826)	(3,266,352)
Adjust Special Fund Lapses					
to General Fund	(2,607,353)	(4,257,226)	(4,136,842)	(2,188,165)	(3,681,945)
Bonds Authorized and Unissued				(1,500,000)	(1,500,000)
Additional Transfer to Reserve Accounts	(3,511)	(380,255)			
Total GAAP Adjustments	(40,878,797)	(38,459,821)	(33,918,631)	(25,865,769)	(25,776,148)
Balance, June 30 (GAAP)	\$ 13,147,686	\$ 23,200,334	\$ 32,410,363	\$ 21,894,352	\$(24,443,439)

**STATE OF NEW HAMPSHIRE
TABLE OF UNDESIGNATED FUND BALANCE
HIGHWAY FUND
FOR THE LAST FIVE FISCAL YEARS**

	Fiscal Year Ended June 30,				
	1988	1987	1986	1985	1984
Balance, July 1 (Budgetary Method)	\$ 12,348,138	\$ 2,297,410	\$ 15,006,843	\$ 18,903,574	\$ 11,450,074
Additions:					
Unrestricted Revenue:					
Gasoline Tax	84,270,222	84,050,554	69,620,702	66,361,849	65,682,870
Motor Vehicle Fees	46,374,364	43,323,470	40,513,871	37,810,909	35,444,343
Other	7,902,440	3,398,068	3,923,945	2,761,083	2,407,455
Total Unrestricted Revenue	138,547,026	130,772,092	114,058,518	106,933,841	103,534,668
Bonds Authorized	1,775,000	1,465,000	18,803,500	16,855,475	41,196,500
Bonds Authorized Reclasp—Prior Year		15,000,000		499,292	
Other Credits	1,219,180	335,879	425,197	4,599	6,087
Total Additions	141,541,206	147,572,971	133,287,215	124,293,207	144,737,255
Deductions:					
Appropriations:					
Appropriations Net of Estimated					
Revenue	152,138,310	133,577,391	147,504,763	127,210,663	138,495,632
Less: Lapses	(8,356,434)	(8,391,591)	(6,229,303)	(6,664,723)	(7,446,780)
Net Appropriations	143,781,876	125,185,800	141,275,460	120,545,940	131,048,852
Other Debits/Adjustments	2,074,600	12,336,443	4,721,188	7,643,998	6,234,903
Total Deductions	145,856,476	137,522,243	145,996,648	128,189,938	137,283,755
Balance, June 30 (Budgetary Method)	8,032,868	12,348,138	2,297,410	15,006,843	18,903,574
GAAP Adjustments:					
Accounts Receivable	11,418,599	6,273,180	4,024,614	3,492,606	607,188
Accounts Payable and Accrued Expenses	(16,198,249)	(14,859,431)	(13,175,466)	(10,667,461)	(10,273,032)
Bonds Authorized and Unissued	(34,344,118)	(45,969,118)	(82,729,118)	(84,050,618)	(73,695,143)
Total GAAP Adjustments	(39,123,768)	(54,555,369)	(91,879,970)	(91,225,473)	(83,360,987)
Reclassification of Designated Balance	30,418,798	20,189,316	71,673,493	31,773,324	
Balance, June 30 (GAAP)	<u>\$ (672,102)</u>	<u>\$ (22,017,915)</u>	<u>\$ (17,909,067)</u>	<u>\$ (44,445,306)</u>	<u>\$ (64,457,413)</u>

**STATE OF NEW HAMPSHIRE
TABLE OF UNDESIGNATED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST FIVE FISCAL YEARS**

	Fiscal Year Ended June 30,				
	1988	1987	1986	1985	1984
Balance, July 1 (Budgetary Method)	\$ 1,444,912	\$ 706,449	\$ 443,170	\$ 623,531	\$ 774,654
Additions:					
Unrestricted Revenue	5,624,099	5,015,875	4,156,495	3,738,833	3,472,566
Other Credits	293,023	174,278	144,576	53,979	46,810
Total Additions	5,917,122	5,190,153	4,301,071	3,792,812	3,519,376
Deductions:					
Appropriations:					
Appropriations Net of Estimated Revenue	6,359,390	4,479,875	4,312,683	4,091,028	3,802,271
Less: Lapses	(586,565)	(281,287)	(275,053)	(150,228)	(131,801)
Net Appropriations	5,772,825	4,198,588	4,037,630	3,940,800	3,670,470
Other Debits/Adjustments		253,102	162	32,373	29
Total Deductions	5,772,825	4,451,690	4,037,792	3,973,173	3,670,499
Balance, June 30 (Budgetary Method)	1,589,209	1,444,912	706,449	443,170	623,531
GAAP Adjustments:					
Accounts Receivable	88,961	74,452	54,545	50,115	51,132
Accounts Payable and Accrued Expenses	(617,229)	(378,785)	(294,155)	(289,854)	(276,151)
Total GAAP Adjustments	(528,268)	(304,333)	(239,610)	(239,739)	(225,019)
Balance, June 30 (GAAP)	\$ 1,060,941	\$ 1,140,579	\$ 466,839	\$ 203,431	\$ 398,512

STATE OF NEW HAMPSHIRE
SCHEDULE OF REVENUE BOND COVERAGE
TURNPIKE SYSTEM REVENUE BONDS
FISCAL YEAR 1988
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1988	\$ 30,806	\$ 10,209	\$ 20,597	\$ 589	\$ 5,359	\$ 5,948	3.46

(1) The Turnpike System Revenue Bonds were issued in Fiscal Year 1988, therefore, only Fiscal Year 1988 information is shown.

Preserving the Old Man is a family affair for the Nielsens. Here Niels' son David and daughter-in-law Deborah apply a coat of epoxy to the granite surface. 1988 is the first year that a woman has been a member of the crew "over the edge."



STATE OF NEW HAMPSHIRE
DEMOGRAPHIC STATISTICS
FOR THE LAST FIVE FISCAL YEARS

<u>Fiscal Year</u>	(1) <u>Population</u>	(2) <u>Per Capita Income</u>	(3) <u>Unemployment Rate</u>
1988	1,066,000	\$ 17,874	2.7%
1987	1,042,000	16,730	2.6
1986	1,013,000	15,611	3.4
1985	977,000	13,192	4.3
1984	958,000	12,028	5.4

SOURCES:

- (1) U.S. Department of Commerce, Bureau of Census, 1984-1986.
New Hampshire Econometrics, Inc., 1987-1988.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, 1984-1985.
New Hampshire Econometrics, Inc., 1986-1988.
- (3) U.S. Bureau of Labor Statistics, Employment and Earnings, 1984-1985.
New Hampshire Econometrics, Inc., 1986-1988.

STATE OF NEW HAMPSHIRE
 RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUE
 AND GENERAL LONG-TERM DEBT PER CAPITA
 FOR THE LAST FIVE FISCAL YEARS

Fiscal Year	(1)	(2)	(3)	Ratio Of General Long- Term Debt To Assessed Value	General Long- Term Debt Per Capita
	Estimated Population	(Expressed In Thousands) Assessed Value	General Long-Term Debt		
1988	1,066	\$ 37,072,000	\$ 349,860	.94%	\$ 328
1987	1,042	31,588,434	379,155	1.20	364
1986	1,013	27,730,520	431,921	1.56	426
1985	977	23,679,520	387,998	1.64	397
1984	958	20,890,951	357,190	1.71	373

(1) Source: U.S. Department of Commerce, Bureau of Census, 1984-1986.
 New Hampshire Econometrics, Inc., 1987-1988.

(2) Source: State Office of Revenue Administration. (1988 estimated).

(3) Includes all Long-Term General Obligation Bonds.



Niels Nielsen is suspended alone on the Old Man's forehead, preparing him for the plastic surgery to come.

Maintaining the integrity of the Old Man in the Mountain symbolizes the concern that the State shows for all her citizens. Major investment has been made in the basic infrastructure recently, thus assuring that New Hampshire residents will have the roads, hospitals, airports, and other necessities to take them into the next century. The groundwork has been laid for continued economic progress while retaining the quality of life which has brought so many new residents to the state in recent years.

Acknowledgements:

Photography, Bill Truslow; Design, Scot Ross; Copy, Tracy Hatch; Printing, Puritan Press, Inc.